

ANNUAL REPORT 2002

Reg Off : Wisma EMC, 972 Jalan Baru,
13700 Prai, Penang.
Tel: 04-398 4878/390 3699
Fax: 04-397 9311/390 3636

KK : 6th Floor, Indahsabah Building,
Segama Complex,
88000 Kota Kinabalu, Sabah.
Tel: 088-252666
Fax: 088-256262

KL : Business Suite 19A-12-3, 12th Floor,
UOA Centre, 19 Jalan Pinang,
50450 Kuala Lumpur.
Tel: 03-21633266
Fax: 03-21616266



SANBUMI HOLDINGS BERHAD
(8386 P)

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Fourth Annual General Meeting of **Sanbumi Holdings Berhad** will be held at the Conference Room, Second Floor, Wisma EMC, 972 Jalan Baru, 13700 Prai, Penang on Friday, 27 June 2003 at 10.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2002 together with the Directors' and Auditors' Reports thereon. (Resolution 1)
 2. To approve the payment of Directors' fees for the financial year ended 31 December 2002. (Resolution 2)
 3. To re-elect the following Directors who retire in accordance with Article 93 of the Company's Articles of Association:-
 - Dato' Chua Tiong Moon (Resolution 3)
 - Mr Chai Kim Chong (Resolution 4)
 - Encik Rahadian Mahmud bin Mohammad Khalil (Resolution 5)
 4. To appoint Messrs Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 6)
- Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Appendix A" had been received by the Company for the nomination of Messrs Horwath who have given their consent to act, for appointment as Auditors of the Company in place of the retiring Auditors, and of the intention to propose the following Ordinary Resolution:
- "THAT Messrs Horwath be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Horwath Mok & Poon, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

As Special Business

5. To consider and if thought fit, to pass with or without modifications the following Ordinary Resolutions:- (Resolution 7)

Authority to allot shares

THAT pursuant to Section 132D of the Companies Act 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being, subject always to the approval of the relevant regulatory bodies being obtained for such allotment and issue.

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

(Resolution 8)

- (i) THAT subject to the Listing Requirements of the Kuala Lumpur Stock Exchange, approval be and is hereby given to the Company to renew the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature to be entered into and to give effect to the specified Recurrent Related Party Transactions, details of which are set out in section 2.3 of the Circular to Shareholders dated 5th June 2003, provided that such transactions are:
 -
 - (a) recurrent transactions of a revenue or trading nature;
 - (b) necessary for the day-to-day operations; and
 - (c) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public, are undertaken on arms' length basis and are not detrimental to the minority stockholders ("the Mandate").
- (ii) THAT the Mandate is subject to annual renewal and such approval shall only continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

NOTICE OF ANNUAL GENERAL MEETING

(continued)

- (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier.
- (iii) THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Mandate Renewal.
- (iv) THAT the estimates given of the Recurrent Related Party Transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.5 of the Circular to Shareholders dated 5 June 2003.

Proposed Amendment to the Articles of Association of the Company

(Resolution 9)

To consider and, if thought fit, to pass with or without modifications the following as a Special Resolution:-

THAT the following new Article to be numbered Article 114A be inserted immediately after the existing Article 114:-

All or any of the members of the Board or any committee of the Board may participate in a meeting of the Board or that committee by means of a teleconference, video conference or any communication equipment which allows all persons participating in the meeting to communicate with one another. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

- 6. To transact any other business of the Company of which due notice shall have been received.

By Order of the Board

MOLLY GUNN CHIT GEOK (MAICSA 0673097)

Company Secretary

Penang

Date: 5th June 2003

NOTES:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf.
2. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Wisma EMC, 972 Jalan Baru, 13700 Prai, Penang not less than 48 hours before the time set for the meeting.
3. Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.

5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act 1965.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 7 - Authority pursuant to Section 132D of the Companies Act 1965

The proposed Ordinary Resolution, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

2. Resolution 8 - Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature

Please refer to the enclosed Circular to Shareholders.

3. Resolution 9 - Proposed Amendment to the Articles of Association of the Company

Amendment is made to the Company's Articles of Association to facilitate Board and committee meetings to be held by way of teleconference, video conference or any other electronic means which would enable directors and committee members to deliberate on matters without having to travel to common place of meeting at all times and to be in line with the Code of Corporate Governance which would enhance the standard of corporate governance and administrative efficiency of the Company.

Appendix A

15 April 2003

The Board of Directors
Sanbumi Holdings Berhad
Wisma EMC
972 Jalan Baru
13700 Prai
Penang

Dear Sirs

Notice of Nomination of Messrs Horwath as Auditors

I hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs Horwath as Auditors of the Company in place of the retiring auditors and of my intention to propose the following resolution as an ordinary resolution at the forthcoming Annual General Meeting of the Company:

“THAT Messrs Horwath be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Horwath Mok & Poon, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.”

Yours faithfully



Dato' Chua Tiong Moon

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to paragraph 8.28(2) of the KLSE's Listing Requirements)

1. Directors who are standing for re-election

- Dato' Chua Tiong Moon - Article 93
- Mr Chai Kim Chong - Article 93
- Encik Rahadian Mahmud bin Mohammad Khalil - Article 93

2. Details of attendance of Directors at Board Meetings

There were six (6) Board of Directors' Meetings held during the financial year ended 31 December 2002. Details of attendance of Directors at the Board Meetings are as follows:-

Board of Directors' Meeting		Feb 02	Apr 02	May 02	Jun 02	Aug 02	Nov 02		
Directors	Position	Attendance						Total	%
Dato' Noorazman bin Adnan	Chairman	✓	✓	✓	✓	✓	✓	6/6	100
Dato' Chua Tiong Moon	Managing Director	✓	✓	✓	✓	✓	✓	6/6	100
Datuk Chai Kin Kong	Executive Director	✓	✓	✓	✓	✓	✗	5/6	83
Chai Kim Chong	Executive Director	✓	✗	✗	✓	✓	✗	3/6	50
Rahadian Mahmud bin Mohammad Khalil	Director	✓	✗	✓	✓	✓	✓	5/6	83
Zainurin bin Karman	Director	✓	✓	✓	✓	✓	✓	6/6	100
Lee Gee Huy @ Lee Kong Fee	Director	✓	✓	✓	✓	✓	✓	6/6	100
Boey Tak Kong	Director	✓	✓	✓	✓	✓	✓	6/6	100
Total number of meetings held:								6	

3. The place, date and time of the Thirty-Fourth Annual General Meeting:-

Conference Room, Second Floor, Wisma EMC
972 Jalan Baru, 13700 Prai, Penang.
On Friday, 27 June 2003 at 10.00 a.m.

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

The profile of the Directors who are standing for re-election are set out in pages 10 to 11 of the Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN / NON-EXECUTIVE DIRECTOR

DATO' NOORAZMAN BIN ADNAN

Appointed 20/05/1999

MANAGING DIRECTOR

DATO' CHUA TIONG MOON

Appointed 23/02/2001

EXECUTIVE DIRECTORS

DATUK CHAI KIN KONG

Appointed 23/02/2001

CHAI KIM CHONG

Appointed 23/02/2001

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE GEE HUY @ LEE KONG FEE

Appointed 23/02/2001

ZAINURIN BIN KARMAN

Appointed 23/02/2001

BOEY TAK KONG

Appointed 13/12/2001

NON-EXECUTIVE DIRECTOR

RAHADIAN MAHMUD BIN MOHAMMAD KHALIL

Appointed 23/02/2001

AUDIT COMMITTEE

CHAIRMAN

LEE GEE HUY @ LEE KONG FEE

MEMBERS

DATO' CHUA TIONG MOON

ZAINURIN BIN KARMAN

BOEY TAK KONG

NOMINATION COMMITTEE

CHAIRMAN

LEE GEE HUY @ LEE KONG FEE

MEMBERS

ZAINURIN BIN KARMAN

BOEY TAK KONG

REMUNERATION COMMITTEE

CHAIRMAN

DATO' NOORAZMAN BIN

ADNAN

MEMBERS

LEE GEE HUY @ LEE KONG FEE

ZAINURIN BIN KARMAN

COMPANY SECRETARY

MOLLY GUNN CHIT GEOK

(MAICSA 0673097)

REGISTERED OFFICE

WISMA EMC

972, JALAN BARU

13700 PRAI,

PENANG

TEL: 604 - 398 4878 / 390 3699

FAX: 604 - 397 9311 / 390 3636

SHARE REGISTRAR

TENAGA KOPERAT SDN BHD

20TH FLOOR, PLAZA PERMATA

JALAN KAMPAR

OFF JALAN TUN RAZAK

50400 KUALA LUMPUR

TEL: 603 - 4041 6522

FAX: 603 - 4043 9233

AUDITORS

HORWATH

(Formerly practising as Horwath
Mok & Poon)

Chartered Accountants

LEVEL 16, TOWER C

MEGAN AVENUE II

12 JALAN YAP KWAN SENG

50450 KUALA LUMPUR

PRINCIPAL BANKERS

HONG LEONG BANK BERHAD

MALAYAN BANKING BERHAD

STOCK EXCHANGE LISTING

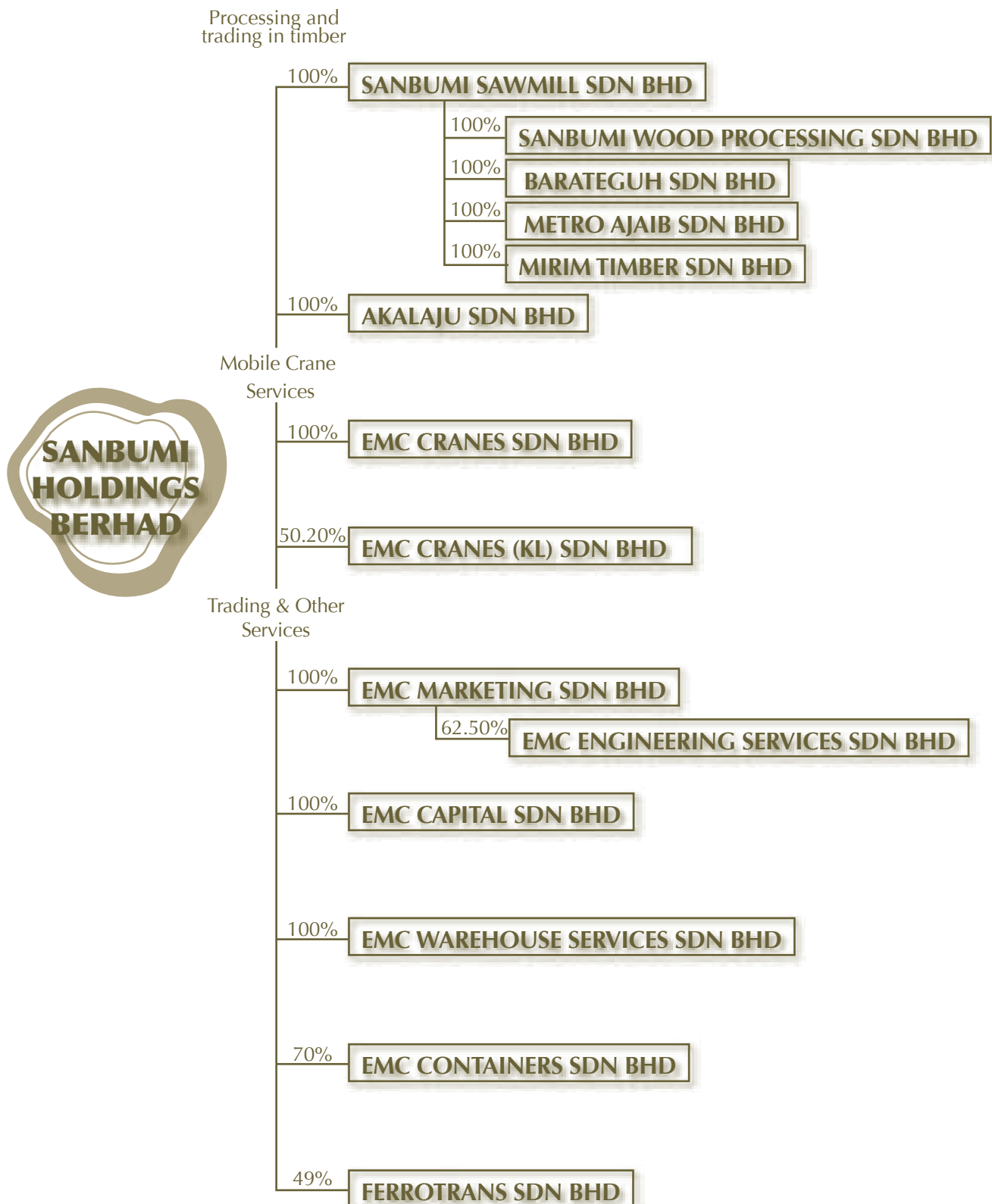
MAIN BOARD OF THE KUALA

LUMPUR STOCK EXCHANGE

• STOCK NAME : **SANBUMI**

• STOCK CODE : **9113**

CORPORATE STRUCTURE



CALENDAR OF SIGNIFICANT EVENTS

25 January 2002

The shareholders of the Company approved the proposed change of Company name from EMC LOGISTICS BERHAD to SANBUMI HOLDINGS BERHAD.

28 January 2002

The KLSE officially transferred the listing and quotation of the entire issued and paid-up share capital of the Company comprising 174,238,348 ordinary shares of RM1.00 each to the Main Board of the KLSE.

18 February 2002

The Company name was officially changed to SANBUMI HOLDINGS BERHAD.

23 July 2002

The Company successfully completed the approved Share Placement of 10,000,000 ordinary shares of RM1.00 each in the Company at the placement price of RM1.35.

23 August 2002

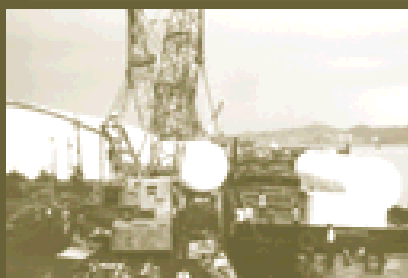
The Company successfully completed the approved Special Issue of 15,000,000 new ordinary shares of RM1.00 each in the Company to approved Bumiputera Investors at an issue price of RM1.35

30 August 2002

The KLSE officially granted the listing and quotation of the new shares of the Company comprising 15,000,000 ordinary shares of RM1.00 each issued pursuant to the Special Issue of shares to approved Bumiputera Investors.

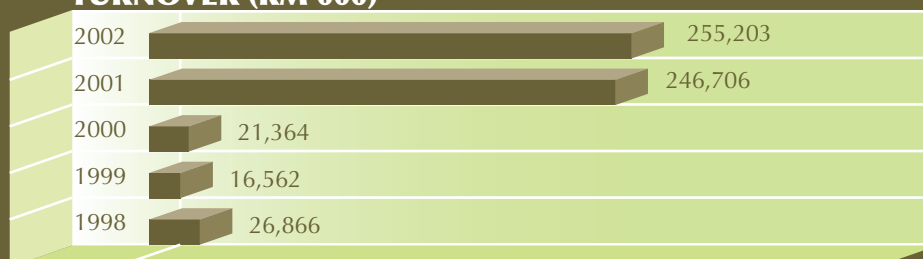
September 2002

The Company successfully repaid the Group's outstanding borrowings with the respective financial institutions strictly in accordance with the approved schedule of utilisation for proceeds from the Rights Issue and Special Issue as stipulated in the Circular to Shareholders dated 20 November 2000.

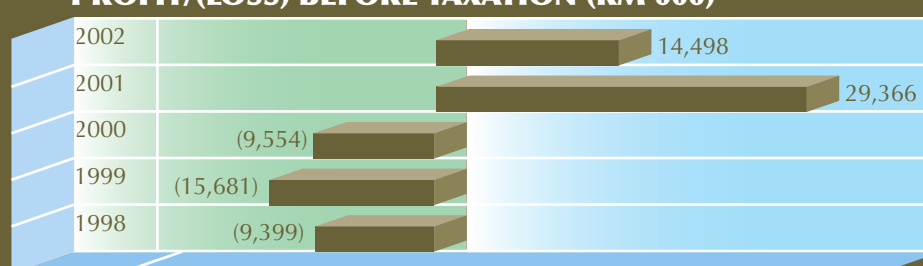


FINANCIAL HIGHLIGHTS

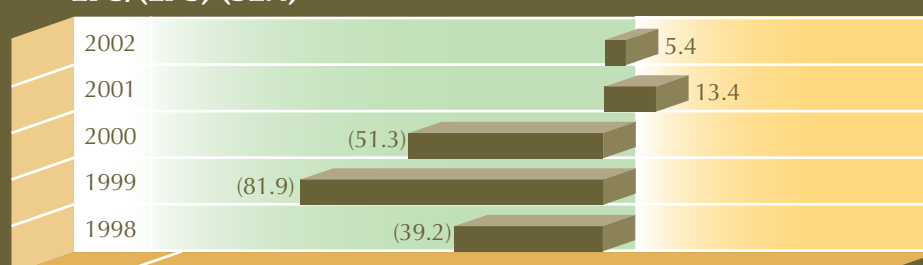
TURNOVER (RM'000)



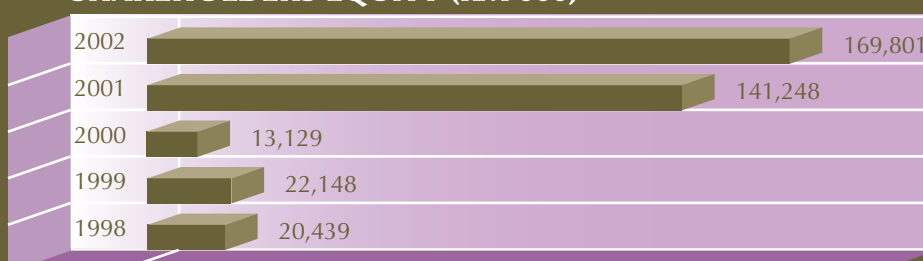
PROFIT/(LOSS) BEFORE TAXATION (RM'000)



EPS/(LPS) (SEN)



SHAREHOLDERS EQUITY (RM'000)



PROFILE OF THE BOARD OF DIRECTORS

Dato' Noorazman bin Adnan Chairman

- Age : 46
- Nationality : Malaysian

Dato' Noorazman bin Adnan is a businessman. He holds a Diploma in Police Science and was formerly a Police Officer. He is currently a Managing Director and Director of several other private limited companies.

Dato' Noorazman bin Adnan does not hold any directorship in other public companies and has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years.

Dato' Chua Tiong Moon Managing Director

- Age : 44
- Nationality : Malaysian

Dato' Chua Tiong Moon is a businessman and has been involved in the timber industry for over 25 years and has vast experience in logging extraction operations, sawmilling to plywood operations. He has also vast experience in property development, manufacturing as well as quarry business. He has been the Chairman of Sanbumi Sawmill Sdn Bhd and Akalaju Sdn Bhd since 1995.

Dato' Chua Tiong Moon does not hold any directorship in other public companies and has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years.

Datuk Chai Kin Kong Executive Director

- Age : 44
- Nationality : Malaysian

Datuk Chai Kin Kong is a businessman and has been involved in the timber industry for over 30 years and has wide experience and knowledge of the industry. He started his career with Sin Cheong Heng Sawmill as a supervisor and later a Manager before venturing into timber extraction and sale of round logs on his own by setting up a small family company in Kelantan and later in Pahang. He later expanded his business into Sabah. He has been the Managing Director of Akalaju Sdn Bhd and Sanbumi Sawmill Sdn Bhd since 1994 and 1995 respectively.

Datuk Chai Kin Kong does not hold any directorship in other public companies, has no conflict of interest with the Company and has no record of convictions for offences within the past ten years.

Datuk Chai Kin Kong is the brother of Chai Kim Chong, an Executive Director of the Company and Chai Kin Loong, a substantial shareholder of the Company.

Chai Kim Chong Executive Director

- Age : 41
- Nationality : Malaysian

Chai Kim Chong has 23 years experience in the timber industry, working in logging extraction and trading. He has been the Executive Director of Sanbumi Sawmill Sdn Bhd and Akalaju Sdn Bhd since 2000.

Chai Kim Chong does not hold any directorship in other public companies, has no conflict of interest with the Company and has no record of convictions for offences within the past ten years.

Chai Kim Chong is the brother of Datuk Chai Kin Kong, an Executive Director of the Company and Chai Kin Loong, a substantial shareholder of the Company.

PROFILE OF THE BOARD OF DIRECTORS

(continued)

Lee Gee Huy @ Lee Kong Fee

Director

- Age : 55
- Nationality : Malaysian

Lee Gee Huy @ Lee Kong Fee is a Barrister. He obtained his Licence-In-Law from Buckingham University, United Kingdom and Barrister-At-Law at Lincoln's Inn, London. He has 19 years experience practicing as an Advocate & Solicitor.

Lee Gee Huy @ Lee Kong Fee has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the board of Fajar Baru Capital Berhad.

Zainurin bin Karman

Director

- Age : 38
- Nationality : Malaysian

Zainurin bin Karman is an Engineering Consultant. He holds a Bachelor Science (BSc)-Civil Engineering from NYUSA and is a Member of the Institute of Engineers Malaysia (MIEM). He started his career as a Project Manager with Faraza Holdings Berhad and later joined Engineering & Environmental Consultant Sdn Bhd as a Senior Engineer before moving on to Indah Water Konsortium Sdn Bhd as Manager. He is currently a Director of RE Consultant Sdn Bhd.

Zainurin bin Karman does not hold any directorship in other public companies and has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years.

Rahadian Mahmud bin Mohammad Khalil

Director

- Age : 29
- Nationality : Malaysian

Rahadian Mahmud bin Mohammad Khalil is a businessman. He started his career with Innovest Berhad as a Property Executive. He is currently the Managing Director of E G Dot Com Sdn Bhd. He is also a Director of several other private limited companies.

Rahadian Mahmud bin Mohammad Khalil has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the boards of EG.COM Berhad, North Borneo Corporation Berhad and Kinsteel Berhad.

Boey Tak Kong

Director

- Age : 49
- Nationality : Malaysian

Boey Tak Kong is a Management Consultant. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom, an Associate of the Institute of Chartered Secretaries & Administrators, United Kingdom, a Chartered Accountant of the Malaysian Institute of Accountants and an Associate of the Institute of Marketing Malaysia.

Boey Tak Kong has more than 23 years of working experience with six public listed companies in Malaysia and has served on the Board of a company listed on the New Zealand Stock Exchange. He is presently the Managing Director of Terus Mesra Sdn Bhd, a company involved in the provision of management consulting, strategic business training and corporate advisory services since early 1998.

Boey Tak Kong has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the boards of Econstates Berhad and Dutch Lady Milk Industries Berhad.

CHAIRMAN'S STATEMENT

It gives me great pleasure to present, on behalf of the Board of Directors of Sanbumi Holdings Berhad, the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2002.

GENERAL OVERVIEW

The year 2002 started in a sober note for the world business community as it was left with a huge responsibility to heal from the aftermath of the '911 terror' incident which created further uncertainties on the already battered world economy. This was made increasingly difficult with the call on a possible military action against terrorists and terrorism activities worldwide, which subsequently crystallised.

The aforementioned events took its toll on the economies in this region and recreated uncertainties to those economies that was seen to be or had indications of being on the road to recovery. The performances of a significant number of exports orientated businesses were affected by the increase in cost due to the rise in fuel and insurance expenses.

Nevertheless the year 2002 continued to be an eventful year for the Group. The more significant events among others are the successful completion of the restructuring and fund raising exercises of the Group as approved by the Securities Commission and the full settlement of all the long outstanding borrowings owing by certain companies within the Group. The Group also embarked on the rationalisation of its operating activities that included reviewing, assessing and determining the appropriate actions to be taken to minimise or eliminate all non-productive and non-profit generating operations in order to maximise shareholders interests.

FINANCIAL PERFORMANCE OVERVIEW

The performance of the Malaysian economy in the year 2002, though had indications of being on the road to recovery, continued to remain dull due to the effects of the



sluggish world economy. The impact of the '911' incident in the previous year extended into the year 2002 and was further worsened by the counter military actions taken by a coalition of countries against those deemed responsible.

With all the happenings in the world arena, the Group continued to face an uphill task to provide shareholders with value for their investments within this challenging environment. The Group's core business of manufacturing and trading of sawn and moulded timber as well as trading in timber logs continued to provide the significant and much

needed support towards achieving this goal. In addition, the improved performances of the non-timber related segments coupled with the significant reduction in financing costs following the full settlement of all long outstanding borrowings provided the required comfort.

The Group's consolidated financial results for the financial year ended 31 December 2002 continued to be in the black though it register a decline as compared to the previous year. The Group Profit After Taxation for the financial year ended 31 December 2002 after taking into consideration the allowance for possible impairment losses of RM1.5 Million stood at RM9.96 Million.

OPERATIONS REVIEW

Timber related business activities

The world events, weak global economy and the continuing sluggish performances of the regional economies such as the Japanese and European economies, which are the traditional markets of our timber related business activities, continued to provide unfavourable impact on our export market, far short of our expectations.

The timber related business activities recorded an annual turnover from external sales of RM231.41 Million for the year ended 31 December 2002, a marginal increase of

CHAIRMAN'S STATEMENT

(continued)

approximately 3.7% as compared to the previous year. Though the turnover was relatively favourable after taking into consideration the adversities in the economic conditions, it was not able to withstand the escalating pressure from the market conditions which resulted in the Profit Before Taxation ("PBT") declining to approximately RM15.99 Million or 48.0% lower than the previous year. Among the main factors contributing towards the decline in PBT are the lower margins from both the sale of timber logs and the sale of sawn timber.

Non-timber related business activities

The non-timber related business activities of the Group in general were not substantially or directly affected by the external events and its effects to the world economy as the business emphasis is specifically domestic. The introduction of stimulus packages by the Government to support the local economy which included funds for development or improvement of infrastructure projects indirectly provided the support for an improved business performances by the non-timber related activities.

The mobile crane service business which is the single most largest contributing component under the non-timber related business activities recorded an annual turnover from external sales of RM15.84 Million or an approximate 21.8% increase as compared to the previous year. The PBT of this business for the financial year ended 31 December 2002 stood at RM0.75 Million as compared to Loss Before Taxation of RM0.29 Million in the previous year. The substantial reduction in finance cost following the full settlement of all borrowings owing to financial institutions coupled with the improved margin contributed significantly towards this achievement.

CORPORATE DEVELOPMENT

The Company completed its proposed and approved corporate restructuring and fund raising exercise during the year with the conclusion of the Private Placement and the Special Issue of new shares to approved bumiputera investors in July 2002 and August 2002 respectively. The Company has no new corporate proposals announced, issued or pending completion as at the date of this statement.

During the financial year, the Company completed the disposal of its entire interests in a subsidiary company, Kedah Coastal Transport & Trading Company Sdn Bhd and entered into an agreement to dispose a piece of vacant industrial land situated in Rawang, Selangor. These disposals were part of the Group's rationalisation exercise, principally undertaken to realise all non-revenue or non-profit generating properties, plant and equipment or investments with a view to maximise returns and safeguard shareholders interests.

OUTLOOK

The outlook for 2003 remains highly uncertain and very much dependent on external factors. Nevertheless, the Board will continue to embark on a critical assessment of the Group's operations to ensure that it will be able to cope with the prolonged effects of the slowdown in the global economy and well prepared to seize the opportunities that may arise should the economy rebound strongly.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to the management team and all employees of the Group for their commitment and dedication in performing their duties.

I would also wish to thank our shareholders, bankers, customers and business associates for all the support and cooperation extended throughout the year 2002 and look forward to their continued support in the future.

DATO' NOORAZMAN BIN ADNAN
Chairman

CORPORATE GOVERNANCE STATEMENT

The Malaysian Code on Corporate Governance ("the Code") sets out principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The Board of Directors of Sanbumi Holdings Berhad ("the Board") welcomes the Code and is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and ensure shareholders' value and the performance of the Company.

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of good governance as set out in Part 1 and Part 2 respectively of the Code pursuant to paragraph 15.26 of the Kuala Lumpur Stock Exchange Listing Requirements.

The statement below sets out how the Group has applied the principles and the extent of its compliance with the best practices throughout the financial year ended 31 December 2002.

THE BOARD OF DIRECTORS

The Board

Sanbumi Holdings Berhad is led and managed by an experienced Board comprising members with a wide range of experience in fields such as accounting, marketing, engineering, legal, corporate planning and public service.

The Board has overall responsibility for corporate governance of the Group, establishing goals, strategic direction and overseeing the investments of the Group and ultimately the enhancement of long term shareholders value.

The Board has set up three committees, namely, the Audit, Nomination and Remuneration Committees, all of which have terms of reference to govern their responsibilities. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however lies with the entire Board.

(i) Board Composition

The Board of Directors consists of a Non-Independent Non-Executive Chairman, three (3) Executive Directors and four (4) Non-Executive Directors, three (3) of whom are independent.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the Managing Director are separate and clearly defined. Generally, the Chairman of the Board is responsible for encouraging debate on issues and brings to the Board a

healthy level of deliberation and independence, whilst the Managing Director has primary responsibilities for the day to day operations of the Company in ensuring that strategies, policies and matters approved by the Board and/or the respective Board Committees are effectively implemented. There is proper balance in the Board because of the presence of Independent Non-Executive Directors of the calibre and experience necessary to carry sufficient weight in Board decisions. A brief profile of each Director is set out in the Directors' Profile in this Annual Report.

The Board continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board.

The Board is satisfied that the investment of the minority shareholders is fairly reflected through Board representation.

(ii) Board meetings

The Board meets on a scheduled basis at least four times a year, with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions.

During the financial year ended 31 December 2002, six (6) Board Meetings were held. The attendance record of each Director is as follows:-

	No. of Meetings Attended/Held
Dato' Noorazman bin Adnan	6/6
Dato' Chua Tiong Moon	6/6
Datuk Chai Kin Kong	5/6
Chai Kim Chong	3/6
Rahadian Mahmud bin Mohammad Khalil	5/6
Zainurin bin Karman	6/6
Lee Gee Huy @ Lee Kong Fee	6/6
Boey Tak Kong	6/6

(iii) Supply of Information

All Directors are supplied with board papers pertaining to agenda items prior to the Board meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of corporate policies and procedures, Group

CORPORATE GOVERNANCE STATEMENT

(continued)

(iii) Supply of Information (continued)

operational plan and budget, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in furtherance of their duties.

(iv) Appointment to the Board

The Nomination Committee was established in November 2001. It comprises three (3) Independent Non-Executive Directors. The members of the Nomination Committee are set out as below:-

Lee Gee Huy @ Lee Kong Fee	Chairman
Zainurin bin Karman	Member
Boey Tak Kong	Member

As an integral element of the process of appointing new Directors, the Nomination Committee will ensure that there is an orientation and education programme for new Directors with respect to the business and management of the Group.

During the financial year ended 31 December 2002, two (2) meetings were held, which were attended by all members of the Nomination Committee. The Nomination Committee had reviewed the present composition of the Board of Directors and is of the opinion that it has the required mix of skills and experience and other qualities to function completely and efficiently.

(v) Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office. Provided always that all Directors shall retire from office once at least in each three years but shall be eligible for re-election.

No new appointment was made for the financial year ended 31 December 2002.

(vi) Directors' Training

All the Directors have attended the Directors' Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate company of the Kuala Lumpur Stock Exchange.

DIRECTORS' REMUNERATION

(i) Remuneration Committee

The Remuneration Committee was established in November 2001 and comprises the following members:-

Dato' Noorazman bin Adnan	Chairman/Non-Independent Non-Executive
Zainurin bin Karman	Independent Non-Executive
Lee Gee Huy @ Lee Kong Fee	Independent Non-Executive

The Committee's primary responsibility is to recommend to the Board, the remuneration of the executive directors and senior management drawing from outside advice as necessary. The determination of the remuneration of the non-executive directors will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration package.

During the financial year ended 31 December 2002, one (1) meeting was held. All the members attended the meeting.

(ii) Remuneration Policy

The remuneration of the Directors is determined at levels which enables the Company to attract and retain Directors with the relevant experience and expertise needed to run the Group successfully. The component parts of the remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Directors concerned.

(iii) Details of the Directors' remuneration

The details of the remuneration of the Directors on Group basis for the financial year ended 31 December 2002 are as follows:-

(All figures in RM)	Executive Directors	Non-Executive Directors
Salary	772,200	-
Fees	108,000	181,839
Bonus	-	-
Benefits-in-kind	-	-
Total	880,200	181,839

CORPORATE GOVERNANCE STATEMENT

(continued)

The number of Directors whose remuneration falls into the following bands of RM50,000 is shown below :-

	Executive Directors	Non-Executive Directors
Less than RM50,000	-	5
RM200,001 - RM250,000	1	-
RM300,001 - RM350,000	2	-
Total	3	5

RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of keeping shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via the Company's annual reports, circulars to shareholders, quarterly financial results, monthly announcements on timber production figures and the various announcements made from time to time.

Any queries and concerns regarding the Group may be conveyed to the following person:-

Mr Lee Gee Huy @ Lee Kong Fee, Senior Independent Non-Executive Director

Telephone number : 06-762 9770

Facsimile number : 06-763 2286

Shareholders and members of the public are invited to access the KLSE website at www.klse.com.my to obtain the latest information on the Group.

The Annual General Meeting ("AGM") remains the principal forum for dialogue with shareholders where they may seek clarifications on the Group's businesses. The notice of the AGM and the Annual Reports are sent to shareholders at least 21 days before the date of the meeting. The notice of the AGM is also published in a national newspaper and released to the Kuala Lumpur Stock Exchange for public dissemination. Members of the Board as well as the Auditors of the Company are present at the AGM to answer questions raised at the meeting.

ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Directors have a responsibility to present a true and fair assessment of the Groups' financial position and prospects primarily through the annual report to shareholders and quarterly financial statements to the KLSE.

The Audit Committee assists the Board in reviewing the information disclosed to ensure accuracy, adequacy and completeness of all annual and quarterly reports, audited or unaudited, and approved by the Board of Directors before releasing to the KLSE.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 22 of this Annual Report.

(ii) Internal Control

The Board acknowledges its responsibility for establishing an efficient and effective system of internal controls covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders' investment and the Group's assets. Internal control monitoring will be carried out all year round by the Company's Internal Audit Department.

The information on the Group's internal control is presented in the Statement on Internal Control set out on page 23.

(iii) Relationship with the External Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's external auditors. Representatives of the External Auditors were invited to the Audit Committee Meetings to brief the Audit Committee on specific issues arising from the annual audit of the Group and to give appropriate advice in ensuring due compliance with the approved accounting standards. Significant issues raised were taken note by the Management for improvement.

ADDITIONAL COMPLIANCE INFORMATION

a) Variations in actual results from those previously announced or released

There are no material differences in the actual results of the Group and the Company for the financial year ended 31 December 2002 reported herein as compared to the unaudited results for the same period announced previously.

The Company did not announce any corporate exercise or issue any profit estimate, forecast or projection pursuant to this during the financial year ended 31 December 2002.

b) Share buybacks

The Company has not purchased any of its own shares during the financial year ended 31 December 2002. Thus, there is no treasury share maintained by the Company.

c) Options, warrants or convertible securities exercised

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2002.

d) American Depositary Receipts (ADR) or Global Depositary Receipts (GDR) programme sponsored

The Company has not sponsored any ADR or GDR programme during the financial year ended 31 December 2002.

e) Particulars of material contracts involving Directors' and major shareholders'

Save as disclosed below, there are no contracts of the Company or its subsidiary companies, which are or may be material, involving Directors' and major shareholders' still subsisting as at the end of the financial year ended 31 December 2002:

- i) Service Agreement dated 1 May 2001 between Sanbumi Sawmill Sdn Bhd ("Sanbumi") and Chai Kin Kong whereby Sanbumi agreed to employ Chai Kin Kong as the Managing Director of Sanbumi for a term of 5 years with effect from 1 May 2001. The remuneration of the Managing Director shall be a fixed salary of RM20,000.00 per month (or such higher rate as the Company may, in its discretion from time to time decide or award) inclusive of any directors' fees payable to him under the Articles of Association of the Company, payable in arrears.

- ii) Service Agreement dated 1 July 2001 between Sanbumi Sawmill Sdn Bhd ("Sanbumi") and Chua Tiong Moon whereby Sanbumi agreed to employ Chua Tiong Moon as the Executive Chairman of Sanbumi for a term of 3 years with effect from 1 July 2001. The remuneration of the Executive Chairman shall be a fixed salary of RM20,000.00 per month (or such higher rate as the Company may, in its discretion from time to time decide or award) inclusive of any directors' fees payable to him under the Articles of Association of the Company, payable in arrears.

- iii) Service Agreement dated 1 July 2001 between Sanbumi Sawmill Sdn Bhd ("Sanbumi") and Chai Kim Chong whereby Sanbumi agreed to employ Chai Kim Chong as the Executive Director of Sanbumi for a term of 3 years with effect from 1 July 2001. The remuneration of the Executive Director shall be a fixed salary of RM15,000.00 per month (or such higher rate as the Company may, in its discretion from time to time decide or award) inclusive of any directors' fees payable to him under the Articles of Association of the Company, payable in arrears.

f) Sanctions and/or penalties imposed

The Company was not imposed any sanctions and/or penalties by regulatory authorities during the financial year ended 31 December 2002.

ADDITIONAL COMPLIANCE INFORMATION

(continued)

g) Non-audit fees paid/payable to external auditors

The amount of fees paid/payable to external auditors for non-audit services provided during the financial year ended 31 December 2002 are as follows:

Fees paid/payable by:	RM
The Company	-
Subsidiary companies	1,600
	1,600

h) Comparison of profit achieved with the profit guarantee

The Company did not issue any profit guarantee during the financial year ended 31 December 2002.

i) Recurrent related party transactions

Details of the aggregate value of recurrent transactions entered into by the subsidiary companies with related parties pursuant to the mandate given by the shareholders' of the Company at the last Annual General Meeting held on 28 June 2002 up to 30 April 2003, being the latest practicable date prior to the printing of the Annual Report, are as follows:

Company	Related Party	Interested Directors and/or substantial shareholders	Nature of Transaction	Amount Transacted RM'000
Sanbumi Sawmill Sdn Bhd ("Sanbumi")	Rintisan Bumi (M) Sdn Bhd ("RBM")	Chai Kin Loong ("CKL"), Datuk Chai Kin Kong ("CKK"), Chai Kim Chong ("CKC") and Equal Accord Sdn Bhd ("EASB")	Purchase of timber logs from RBM by Sanbumi	145,735
Sanbumi	RBM	CKL, CKK, CKC and EASB	Rental payable to RBM by Sanbumi for office space rented	20
Sanbumi	RBM	CKL, CKK, CKC and EASB	Interest receivable by Sanbumi at a nominal amount on outstanding cash payments made upfront for the purchase of logs from RBM	500
Sanbumi	Sabavital Sdn Bhd ("SSB")	Chua Ah Nye ("CAN")	Road/site maintenance fee payable by SSB to Sanbumi	1,365
	Totalink Holdings Sdn Bhd ("TH")	CKL, Lee Meow Soon ("LMS"), Dato' Chua Tiong Moon ("CTM"), CKK, CKC, and CAN	Rental payable to TH by Sanbumi	30
Mirim Timber Sdn Bhd ("MTSB")	RBM	CKL, CKK, CKC and EASB	Purchase of timber logs from RBM by MTSB	-
Barateguh Sdn Bhd ("BSB")	RBM	CKL, CKK, CKC and EASB	Purchase of timber logs from RBM by BSB	-
Metro Ajaib Sdn Bhd ("MASB")	RBM	CKL, CKK, CKC and EASB	Purchase of timber logs from RBM by MASB	-
Akalaju Sdn Bhd ("Akalaju")	RBM	CKL, CKK, CKC and EASB	Purchase of timber logs from RBM by Akalaju	-
TOTAL				147,650

Note :

- (1) EASB is a substantial shareholder of Sanbumi, CTM, CKK, CKC, CKL, CAN and LMS are shareholders of EASB.
- (2) CKL is a director and shareholder of RBM, CKK, CKC and CKL are brothers.
- (3) CAN is a director and shareholder of SSB and a shareholder of TH.
- (4) CKL and LMS are directors and shareholders of TH.
- (5) CTM, CKK and CKC are directors of Sanbumi and shareholders of TH.

AUDIT COMMITTEE REPORT

MEMBERS OF THE COMMITTEE

Chairman: Lee Gee Huy @ Lee Kong Fee

Members: Dato' Chua Tiong Moon

Zainurin bin Karman

Boey Tak Kong

Secretary: Molly Gunn Chit Geok

Chairman

The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.

Secretary

The Company Secretary or if more than one, any one of them, shall be the Secretary of the Committee.

TERMS OF REFERENCE

Membership

1. The Company must appoint an Audit Committee from amongst its Board of Directors which fulfils the following requirements:-

- (a) the Committee must be composed of no fewer than 3 members;
- (b) a majority of the Committee must be independent directors; and
- (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 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; or
 - (iii) Fulfills such other requirements as prescribed by the Exchange

2. No alternate director should be appointed as a member of the Committee.

3. In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the Exchange pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.

4. The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors 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.

Meetings

- 1 Meetings shall be held not less than four times a year.
- 2 The Head of Finance, the Head of Internal Audit and a representative of the external auditor shall normally attend meetings.
- 3 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
- 4 Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.
- 5 The Committee shall regulate its own procedure, in particular:-
 - (a) the calling of meetings;
 - (b) the notice to be given of such meetings;
 - (c) the voting and proceedings of such meetings;
 - (d) the keeping of minutes; and
 - (e) the custody, production and inspection of such minutes.
- 6 At least once a year the Committee shall meet with the external auditors without executive Board members present.

Quorum

A quorum shall be at least two (2) members with majority present being independent directors.

AUDIT COMMITTEE REPORT

(continued)

Rights and Authority

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any relevant information, records and documents pertaining to the Company;
- (d) have direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Functions and Duties

The Committee shall, amongst others, discharge the following functions and duties:

1) to review:

- i) with the external auditor, the audit plan and to ensure co-ordination where more than one audit firm is involved;
- ii) with the external auditor, his evaluation of the system of internal controls;
- iii) with the external auditor, his audit report, his management letter and the management's response;
- iv) the assistance given by the Company's employees to the external auditor;
- v) 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) 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) any appraisal or assessment of the performance of members of the internal audit function;
- viii) any appointment or termination of senior staff members of the internal audit function;

- ix) any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning
 - x) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:-
 - (a) changes in or implementation of major accounting policy changes;
 - (b) significant and unusual events;
 - (c) significant adjustments arising from the audit;
 - (d) the going concern assumption; and
 - (e) compliance with accounting standards and other legal requirements;
 - xi) 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 or management integrity;
 - xii) whether there is reason (supported by ground) to believe that the external auditor is not suitable for reappointment;
 - xiii) the nomination of a person or persons as external auditors and the audit fee; and
 - xiv) any questions of resignation or dismissal of external auditors.
- 2) to recommend the nomination of a person or persons as external auditors
- 3) to promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements
- 4) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary) to carry out such other functions as may be agreed to by the Committee and the Board of Directors.

AUDIT COMMITTEE REPORT

(continued)

DETAILS OF ATTENDANCE OF MEMBERS AT AUDIT COMMITTEE MEETINGS

During the financial year ended 31 December 2002, five(5) Audit Committee Meetings were held. The details of the attendance of each member are as follows:

Audit Committee Meeting		Feb 02	Apr 02	May 02	Aug 02	Nov 02		
Committee Members	Position	Attendance					Total	%
Lee Gee Huy @ Lee Kong Fee	Chairman	✓	✓	✓	✓	✓	5/5	100
Dato' Chua Tiong Moon	Member	✓	✓	✓	✓	✓	5/5	100
Zainurin bin Karman	Member	✓	✓	✓	✓	✓	5/5	100
Boey Tak Kong	Member	✓	✓	✓	✓	✓	5/5	100
Total number of meetings held:							5	

SUMMARY OF ACTIVITIES

In discharging its functions and duties in accordance with its Terms of Reference, the Audit Committee had carried out the following activities during the financial year ended 31 December 2002:-

- (i) Reviewed and discussed the audit plan for the financial year presented by the external auditors;
- (ii) Reviewed and discussed the Group's unaudited quarterly results together with the relevant reports and made recommendations to the Board for approval;
- (iii) Reviewed the internal auditors' reports on its findings, recommendations and the corrective actions, if any, taken by the management;
- (iv) Reviewed the annual financial statements of the Company and its subsidiaries together with the external auditors' reports and discussed various audit and accounting issues.

INTERNAL AUDIT FUNCTION

The Internal Audit Department reports directly to the Audit Committee the internal audit findings, its recommendations and the corrective action, if any, taken or to be taken by the management.

During the year, the Internal Audit Department carried out structured assessment and review on the effectiveness of the system of internal controls in the Company as well as its selected subsidiary companies. The Internal Audit Department highlighted its findings and provided suitable recommendations for improvement, where appropriate. Internal Audit Reports were presented to the Audit Committee on a quarterly basis.

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

During the financial year ended 31 December 2002, the Company completed the corporate proposals in accordance with the terms and conditions approved by the relevant regulatory authorities and the shareholders of the Company. The proceeds from the corporate proposal have been fully utilised for and strictly in compliance with its approved purposes, details of which are as follows:

	Proposed		Actual	
	RM'000	Ratio	RM'000	Ratio
Proceeds from:				
Rights Issue	39,204	66%	39,204	66%
Special Issue	20,250	34%	20,250	34%
	59,454	100%	59,454	100%
Utilised for:				
Repayments to financial institutions	48,720	82%	48,070	81%
Payments of expenses in relation to the Corporate Proposals	2,500	4%	1,742	3%
Working capital requirements	8,234	14%	9,642	16%
	59,454	100%	59,454	100%

As at the date of this report, there were no other corporate proposals announced but not completed.

DIRECTORS' RESPONSIBILITY STATEMENT

(Pursuant to paragraph 15.27(a) of the KLSE's Listing Requirements)

We, the Directors of Sanbumi Holdings Berhad hereby acknowledge that the preparation of the annual financial statements of the Group and Company is the responsibility of the Board of Directors.

On behalf of the Board

DATO' NOORAZMAN BIN ADNAN
Chairman

DATO' CHUA TIONG MOON
Managing Director

STATEMENT ON INTERNAL CONTROL

(Pursuant to paragraph 15.27(b) of the KLSE'S Listing Requirements)

1. Introduction

Pursuant to Paragraph 15.27(b) of the Listing Requirements of the Kuala Lumpur Stock Exchange, the Board is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal control of the Group during the year.

2. Responsibility

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity.

In establishing the Group's system of internal control, the following criteria are taken into consideration:-

- systems are designed to manage rather than eliminate risk to achieve business objectives, as such, the system can only provide reasonable and not absolute assurance against material misstatement or loss.
- the system is a continuous process for identifying, evaluating and managing the significant risks faced by the Group.

The Board delegates to the Senior Management, the implementation of the systems on internal control within an established framework throughout the Group.

3. Internal control and risk management framework

The key elements of the Group's internal control system are as follows:-

- 3.1 Comprehensive financial reports are supplied to the Audit Committee and the Board on a quarterly basis for review and if necessary corrective action to be taken.
- 3.2 Budgets for each operating unit are prepared annually and monthly review carried out together with the Management. The results are communicated to the Board and Senior Management on a timely basis.
- 3.3 A clearly defined organisation and hierarchical structure outlining line of reporting and job responsibilities.
- 3.4 In ensuring that each operating unit is functioning efficiently, emphasis is placed on personnel employed where the integrity and competence of personnel are ensured through a high recruitment standard.

3.5 The Board, Audit Committee and Senior Management regularly review the internal audit reports and monitor the status of the implementation of recommendations to address internal control weaknesses noted.

3.6 Regular reporting is made to the Board at its meetings of corporate, legal, accounting and environmental developments.

4. Internal audit

The internal audit function highlights issues to executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The extent of compliance is reported to the Audit Committee on a regular basis. The Audit Committee in turn reviews the effectiveness of the system of internal control in operation and reports the results thereon to the Board.

5. Effectiveness of internal control

The Board is of the view that the existing system of internal controls is sound and adequate to safeguard the Group's assets at the existing level of operations. Consequently, there were neither material internal control weaknesses nor significant problems that had arisen during the financial year.

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, rendering tanker delivery services and sales of diesel. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than the disposal of a subsidiary as disclosed in Note 7 to the financial statements.

RESULTS

	GROUP RM	COMPANY RM
Profit/(Loss) attributable to shareholders of the Company	9,765,461	(2,014,701)

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Notes 25 and 26 to the financial statements.

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM174,238,348 to RM189,238,348 by the special issue of 15,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.35 per share to approved bumiputera investors.

The new shares issued rank pari passu in all respects with the existing shares of the Company; and

- (c) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

DIRECTORS' REPORT

(continued)

DIRECTORS

The directors in office since the date of the last report are:-

DATO' NOORAZMAN BIN ADNAN

DATUK CHAI KIN KONG

DATO' CHUA TIONG MOON

CHAI KIM CHONG

RAHADIAN MAHMUD BIN MOHAMMAD KHALIL

ZAINURIN BIN KARMAN

LEE GEE HUY @ LEE KONG FEE

BOEY TAK KONG

Pursuant to Article 93 of the Articles of Association of the Company, Dato' Chua Tiong Moon, Chai Kim Chong and Rahadian Mahmud Bin Mohammad Khalil retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM1.00 EACH			
	At 1.1.2002	ALLOTMENT/ BOUGHT	Sold	At 31.12.2002
<i>DIRECT INTEREST</i>				
DATO' NOORAZMAN BIN ADNAN	6,000	1,000,000	(545,000)	461,000
DATUK CHAI KIN KONG	13,210,065	3,000,000	(13,630,895)	2,579,170
DATO' CHUA TIONG MOON	11,287,581	4,762,862	(11,287,581)	4,762,862
CHAI KIM CHONG	6,789,260	4,500,000	(6,789,260)	4,500,000
RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	-	3,000,000	-	3,000,000
<i>INDIRECT INTEREST</i>				
DATUK CHAI KIN KONG	90,155,695	7,000,000	(34,636,382)	62,519,313
DATO' CHUA TIONG MOON	76,577,175	-	(20,057,862)	56,519,313
CHAI KIM CHONG	96,576,500	5,500,000	(41,478,017)	60,598,483

By virtue of their interests in shares in the Company, Datuk Chai Kin Kong, Dato' Chua Tiong Moon and Chai Kim Chong are deemed to have interests in shares in all the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

None of the other directors holding office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

(continued)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with a company in which a person connected to certain directors has substantial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would further require the writing off of bad debts or additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company had been written down to their expected realisable values.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 36 to the financial statements. In the interval between the end of the financial year and the date of this report, there does not exist:-

- (i) any charge which has arisen on the assets of the Group and of the Company which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen in the Group and in the Company.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

DIRECTORS' REPORT

(continued)

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the current financial year.

SIGNIFICANT EVENTS

The significant events involving the Group and the Company during the financial year are disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, Messrs. Horwath Mok & Poon, who are now practising as Messrs. Horwath with effect from 1 January 2003, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

Dated 22 April 2003

DATO' NOORAZMAN BIN ADNAN
Director

DATO' CHUA TIONG MOON
Director

STATEMENT BY DIRECTORS

We, **Dato' Noorazman Bin Adnan** and **Dato' Chua Tiong Moon**, being two of the directors of **Sanbumi Holdings Berhad**, state that, in the opinion of the directors, the financial statements set out on pages 30 to 59 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2002 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

Dated 22 April 2003

DATO' NOORAZMAN BIN ADNAN
Director

DATO' CHUA TIONG MOON
Director

STATUTORY DECLARATION

I, **Dato' Chua Tiong Moon**, I/C No. 590831-05-5639, being the director primarily responsible for the financial management of **Sanbumi Holdings Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 30 to 59 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by

Dato' Chua Tiong Moon, I/C No. 590831-05-5639,

at Kuala Lumpur in the Federal Territory

on this

DATO' CHUA TIONG MOON

Before me

HARON HASHIM

Commissioner for Oaths

Kuala Lumpur

REPORT OF THE AUDITORS

To The Members of **SANBUMI HOLDINGS BERHAD** *Company No: 8386-P*

We have audited the financial statements set out on pages 30 to 59. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 31 December 2002 and their results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, as indicated in Note 7 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification except as disclosed in Note 7 to the financial statements and did not include any comment made under Sub-section 3 of Section 174 of the Companies Act, 1965.

HORWATH MOK & POON

Firm No: AF 0995

Chartered Accountants

Kuala Lumpur

Date : 22 April 2003

ONN KIEN HOE

Approval No: 1772/11/04 (J/PH)

Partner

BALANCE SHEETS

At 31 December 2002

		GROUP		COMPANY	
	NOTE	2002 RM	2001 RM	2002 RM	2001 RM
ASSETS					
Property, plant and equipment	6	69,806,218	80,407,212	38,697,682	43,653,977
Investment in subsidiaries	7	-	-	130,301,638	131,203,814
Investment in associates	8	-	180,228	-	-
Other investment	9	150,000	150,000	150,000	150,000
		69,956,218	80,737,440	169,149,320	175,007,791
CURRENT ASSETS					
Inventories	10	20,340,680	23,535,448	-	-
Trade receivables	11	30,370,722	38,496,448	98,721	10,435
Other receivables, deposits and prepayments	12	69,816,970	48,097,484	3,480,048	460,395
Amount owing by subsidiaries	13	-	-	24,865,887	12,520,269
Amount owing by associates	14	123,078	301,847	123,078	119,556
Tax refundable		72,024	66,975	-	-
Fixed deposits with licensed banks	15	696,998	668,583	-	-
Cash and bank balances		13,984,761	22,718,177	5,717,602	10,291,839
		135,405,233	133,884,962	34,285,336	23,402,494
LESS: CURRENT LIABILITIES					
Trade payables	16	7,058,517	13,628,768	-	-
Other payables and accruals		3,575,459	7,861,625	481,132	1,804,809
Amount owing to directors		-	193,033	-	-
Amount owing to subsidiaries	13	-	-	-	294,640
Amount owing to associates	14	96,000	96,000	96,000	96,000
Hire purchase payables	17	268,735	2,399,891	-	-
Provision for taxation		10,028,355	17,375,238	21,558	46,757
Short term borrowings	18	11,389,519	27,101,695	-	10,683,606
		32,416,585	68,656,250	598,690	12,925,812
NET CURRENT ASSETS/(LIABILITIES)		102,988,648	65,228,712	33,686,646	10,476,682
		172,944,866	145,966,152	202,835,966	185,484,473
FINANCED BY:-					
Share capital	19	189,238,348	174,238,348	189,238,348	174,238,348
Retained profits/(Accumulated losses)	20	57,409,212	46,913,406	(17,833,423)	(15,818,722)
Other reserves	21	32,782,533	29,725,403	31,431,041	27,064,847
Merger deficit	22	(109,628,623)	(109,628,623)	-	-
SHAREHOLDERS' EQUITY		169,801,470	141,248,534	202,835,966	185,484,473
MINORITY INTERESTS		1,840,539	2,506,142	-	-
NON CURRENT LIABILITIES					
Hire purchase payables	17	168,857	648,476	-	-
Deferred taxation	23	1,134,000	1,563,000	-	-
		172,944,866	145,966,152	202,835,966	185,484,473
NET TANGIBLE ASSETS PER SHARE		0.90	0.81		

INCOME STATEMENTS

For The Financial Year Ended 31 December 2002

	NOTE	GROUP		COMPANY	
		2002 RM	2001 RM	2002 RM	2001 RM
TURNOVER	24	255,202,967	246,705,759	1,559,036	1,606,654
COST OF SALES		(226,340,552)	(203,142,574)	-	(81,757)
GROSS PROFIT		28,862,415	43,563,185	1,559,036	1,524,897
OTHER OPERATING INCOME	25	5,818,617	6,937,474	596,792	1,090,794
		34,681,032	50,500,659	2,155,828	2,615,691
DISTRIBUTION COSTS		(7,081,933)	(6,120,087)	(51,542)	(14,605)
ADMINISTRATIVE EXPENSES		(8,820,769)	(9,235,470)	(1,666,956)	(1,549,961)
OTHER OPERATING EXPENSES	26	(2,706,096)	(710,573)	(2,172,352)	-
		(18,608,798)	(16,066,130)	(3,890,850)	(1,564,566)
PROFIT/(LOSS) FROM OPERATIONS		16,072,234	34,434,529	(1,735,022)	1,051,125
FINANCE COSTS		(1,582,348)	(4,870,002)	(279,679)	(1,963,401)
SHARE OF PROFIT/(LOSS) OF ASSOCIATES		7,656	(198,825)	-	-
PROFIT/(LOSS) BEFORE TAXATION	27	14,497,542	29,365,702	(2,014,701)	(912,276)
TAXATION	28	(4,541,672)	(8,905,048)	-	96,674
PROFIT/(LOSS) AFTER TAXATION		9,955,870	20,460,654	(2,014,701)	(815,602)
MINORITY INTERESTS		(190,409)	661,121	-	-
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		9,765,461	21,121,775	(2,014,701)	(815,602)
EARNINGS PER SHARE (SEN) - BASIC	29	5.44	13.4		
DIVIDEND PER ORDINARY SHARE (SEN)		-	-		

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2002

	SHARE CAPITAL RM	SHARE PREMIUM RM	CAPITAL RESERVE RM	REVALUATION RESERVE RM	RESERVE ON CONSOLIDATION RM	MERGER DEFICIT RM	RETAINED PROFITS RM	TOTAL RM
GROUP								
Balance at 1.1.2001	145,198,623	1,852,604	2,436,626	16,262,780	604,789	(109,628,623)	25,791,631	82,518,430
Rights issue	29,039,725	10,163,904	-	-	-	-	-	39,203,629
Rights issue expenses	-	(1,595,300)	-	-	-	-	-	(1,595,300)
Profit attributable to shareholders	-	-	-	-	-	-	21,121,775	21,121,775
Balance at 31.12.2001/ 1.1.2002	174,238,348	10,421,208	2,436,626	16,262,780	604,789	(109,628,623)	46,913,406	141,248,534
Disposal of a subsidiary	-	-	(853,800)	(55,397)	(399,867)	-	730,345	(578,719)
Special issue of shares	15,000,000	5,250,000	-	-	-	-	-	20,250,000
Special issue expenses	-	(883,806)	-	-	-	-	-	(883,806)
Profit attributable to shareholders	-	-	-	-	-	-	9,765,461	9,765,461
Balance at 31.12.2002	189,238,348	14,787,402	1,582,826	16,207,383	204,922	(109,628,623)	57,409,212	169,801,470

	SHARE CAPITAL RM	SHARE PREMIUM RM	REVALUATION RESERVE RM	ACCUMULATED LOSSES RM	TOTAL RM
COMPANY					
Balance at 1.1.2001	17,570,000	1,852,604	16,643,639	(15,003,120)	21,063,123
Issuance of shares:					
- Acquisitions of subsidiaries	127,628,623	-	-	-	127,628,623
- Rights issue	29,039,725	10,163,904	-	-	39,203,629
Rights issue expenses	-	(1,595,300)	-	-	(1,595,300)
Loss attributable to shareholders	-	-	-	(815,602)	(815,602)
Balance at 31.12.2001/1.1.2002	174,238,348	10,421,208	16,643,639	(15,818,722)	185,484,473
Special issue of shares	15,000,000	5,250,000	-	-	20,250,000
Special issue expenses	-	(883,806)	-	-	(883,806)
Loss attributable to shareholders	-	-	-	(2,014,701)	(2,014,701)
Balance at 31.12.2002	189,238,348	14,787,402	16,643,639	(17,833,423)	202,835,966

The retained profits of the Group are attributable to/(absorbed by):-

	2002 RM	2001 RM
Company	(17,833,423)	(15,818,722)
Subsidiaries	75,879,635	63,308,900
Associates	(637,000)	(576,772)
	57,409,212	46,913,406

CASH FLOW STATEMENTS

For The Financial Year Ended 31 December 2002

	GROUP		COMPANY	
NOTE	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before taxation	14,497,542	29,365,702	(2,014,701)	(912,276)
Adjustments for:-				
Allowance for doubtful debts	348,190	1,013,244	-	-
Bad debts written off	38,841	7,638	12,910	-
Depreciation of property, plant and equipment	6,933,578	7,677,823	555,150	563,204
Interest expense	1,349,458	4,853,653	278,762	1,962,625
Plant and equipment written off	30,828	9,656	266	-
Overprovision for import tax duties	-	(1,052,076)	-	-
Share of (profit)/loss in associates	(7,656)	198,825	-	-
Impairment loss /Write-down of property, plant and equipment	1,500,000	75,000	1,500,000	-
Loss/(Gain) on disposal of property, plant and equipment	203,542	(21,897)	659,176	(105,276)
Gain on disposal of a subsidiary	(474,552)	-	(297,824)	-
Interest income	(115,533)	(572,309)	(291,089)	(779,221)
Reversal of provision for doubtful debts	(173,936)	(110,004)	(1,079)	(2,097)
Write-back of provision for penalty	-	(200,000)	-	(200,000)
Waiver of interest on borrowings	(697,576)	(696,155)	-	-
Operating profit before working capital changes	23,432,726	40,549,100	401,571	526,959
Decrease /(Increase) in inventories	3,194,768	(2,666,065)	-	-
(Increase)/Decrease in trade and other receivables	(15,840,264)	(23,359,319)	(3,716,252)	563,945
(Decrease)/Increase in trade and other payables	(8,457,365)	5,759,544	(1,323,677)	(213,084)
(Decrease)/Increase in amount owing to directors	(193,033)	193,033	-	-
CASH FROM/(FOR) OPERATIONS	2,136,832	20,476,293	(4,638,358)	877,820
Income tax (paid)/refunded	(12,322,604)	(4,939,177)	(25,199)	96,674
Interest paid	(1,349,458)	(4,853,653)	(278,762)	(1,973,432)
Interest received	115,533	572,309	291,089	779,221
NET CASH (FOR)/FROM OPERATING ACTIVITIES CARRIED FORWARD	(11,419,697)	11,255,772	(4,651,230)	(219,717)

CASH FLOW STATEMENTS

For The Financial Year Ended 31 December 2002 (continued)

	NOTE	GROUP	COMPANY		
		2002 RM	2001 RM	2002 RM	2001 RM
NET CASH (FOR)/FROM OPERATING ACTIVITIES BROUGHT FORWARD		(11,419,697)	11,255,772	(4,651,230)	(219,717)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Purchase of property, plant and equipment	30	(2,519,485)	(797,027)	(351,548)	(34,300)
Proceeds from disposal of property, plant and equipment		3,682,947	609,243	2,593,250	155,000
Proceeds from disposal of a subsidiary	31	999,214	-	1,200,000	-
Advances to associates		(3,723)	(15,977)	(3,723)	(15,977)
NET CASH FROM/(FOR) INVESTING ACTIVITIES		2,158,953	(203,761)	3,437,979	104,723
CASH FLOWS FROM FINANCING ACTIVITIES					
Net advance to subsidiaries		-	-	(12,043,574)	(11,669,495)
Repayment of term loans		(1,932,264)	(5,660,473)	(1,932,264)	(5,589,666)
Repayment of hire purchase payables		(3,098,275)	(882,316)	-	-
Proceeds from issuance of shares		20,250,000	39,203,629	20,250,000	39,203,629
Changes in bankers' acceptances		940,708	(3,103,555)	-	-
Payment of share issue expenses		(883,806)	(1,595,300)	(883,806)	(1,595,300)
NET CASH FROM FINANCING ACTIVITIES		15,276,363	27,961,985	5,390,356	20,349,168
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,015,619	39,013,996	4,177,105	20,234,174
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		8,124,621	(30,889,375)	1,540,497	(18,693,677)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32	14,140,240	8,124,621	5,717,602	1,540,497

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

1. GENERAL INFORMATION

The Company was incorporated on 11 February 1969 as a private company limited by shares under the Malaysian Companies Act, 1965.

On 28 June 1993, the Company was converted into a public company. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business is at Wisma EMC, 972, Jalan Baru, 13700 Prai, Penang.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, rendering tanker delivery services and sales of diesel. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. FINANCIAL RISK MANAGEMENT POLICIES

The activities of the Company and the Group expose it to certain financial risks, including currency risk, interest rate risk, market risks, credit risk, liquidity risk and cash flow risk. The overall financial risk management objective of the Company and the Group is to maximise shareholders' value by minimising the potential adverse impacts of these risks on its financial position, performance and cash flows.

The Board of Directors explicitly assumes the responsibilities of financial risk management which is carried out mainly through risk review and internal control systems.

(a) Currency Risk

The Group/Company is exposed to foreign exchange risk on purchases that are denominated in foreign currencies. It manages its foreign exchange exposure by a policy of matching as far as possible payments in each individual currency.

Surpluses of convertible currencies are either retained in foreign currency or sold for Ringgit Malaysia. The Group/Company also uses forward foreign currency contracts to hedge a portion of its future foreign exchange exposure.

Due to the present Ringgit Malaysia exchange rate peg against the US Dollar, the Directors are of the opinion that the Group/Company's exposure to currency risk is not significant.

(b) Interest Rate Risk

The Group/Company obtains financing through bank borrowings and hire purchase. Its policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable financial institutions at the most favourable interest rates.

(c) Market Risk

The Company does not have any quoted investments and hence is not exposed to market risks.

(d) Credit Risk

The Group's/Company's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from cash deposits and receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group/Company does not have any major concentration of credit risk related to any individual customer or counterparty except for 68% of other receivables which relate to log purchase advances to a related party and 37.5% of cash deposits placed with a major financial institution.

The Group/Company manages its exposure to credit risk by investing its cash assets safely and profitability, and by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(e) Liquidity and Cash Flow Risks

The Group's/Company's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention, modified to include other bases of valuation as disclosed in other sections under significant accounting policies and in compliance with applicable approved accounting standards in Malaysia.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2002.

Subsidiaries are those companies in which the Group has the power to exercise control over the financial and operating policies of the companies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting except for Sanbumi Sawmill Sdn. Bhd., Akalaju Sdn. Bhd., Sanbumi Wood Processing Sdn. Bhd., Metro Ajaib Sdn. Bhd., Barateguh Sdn. Bhd. and Mirim Timber Sdn. Bhd., which are consolidated using the merger method of accounting in accordance with the provisions of MAS 2 – Accounting for Acquisitions and Mergers.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the date of acquisition or up to the date of disposal. The difference between the consideration paid for the investment in the subsidiaries and the fair value of attributable net assets acquired is reflected as goodwill or reserve on consolidation as appropriate. The carrying amount of goodwill is reviewed annually and written down for impairment where it is considered necessary.

Subsidiaries acquired which have previously met the criteria for merger accounting under MAS 2, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded as the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of the shares transferred is treated as a merger deficit or a merger reserve in accordance with the merger relief provision under Section 60(4) of the Companies Act, 1965. The results of the subsidiaries being merged are included for the full financial year.

The current applicable approved accounting standard for business combination is MASB 21 - Business Combinations. This standard is effective for accounting periods commencing 1 July 2001. As allowed under the standard, the provisions of the standard are applied prospectively and no retrospective changes have been made.

Intragroup transactions, balances and unrealised gains on transactions are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(b) Subsidiaries

Investments in subsidiaries are stated at cost or revalued amount. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Associates

An associate is defined as a company, not being a subsidiary, in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate but not control over those policies. The Group's share of the results of the associates is included in the consolidated income statement and the Group's interest in the associates is stated at cost less allowance for diminution in value plus the Group's share of post-acquisition reserves of the associates.

The Group's share of post-acquisition losses is restricted to the carrying value of the investment in that associate.

The investment in associate in the financial statements of the Group and of the Company is carried at cost or revalued amount less allowance for permanent diminution in value. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

(d) Other Investments

Other investments in shares in corporations, other than subsidiaries, associates and joint ventures, held for long-term purposes are stated at cost less allowance for permanent diminution in value.

(e) Property, Plant and Equipment

Freehold land is stated at cost or revalued amount and not depreciated. Leasehold land and buildings are amortised in equal instalments over the period of the respective leases that range from 13 years to 99 years. Other property, plant and equipment are stated at cost or revalued amount less accumulated depreciation.

Depreciation of other property, plant and equipment is calculated under the straight-line method to write off the cost or revalued amount of those assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Freehold buildings	2% - 10%
Mobile cranes and heavy vehicles	5% - 10%
Plant, machinery, tools and equipment	8% - 20%
Barges, motor vehicles and forklifts	10% - 20%
Office equipment, furniture and fittings	10% - 15%
Containers	10%

Properties are revalued periodically, at least once in every five years. The net increase arising from the revaluation of the properties, if adjusted, is credited to the revaluation reserve. The net decrease, to the extent that it is not supported by any previous revaluation, is charged to the income statement.

(f) Impairment of Assets

The carrying values of assets, other than those to which MASB Standard 23 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Impairment of Assets (Cont'd)

income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(g) Finance Leases

Plant and equipment acquired under finance lease are capitalised as long term assets based on the lower of the fair value of the leased property or present value of the minimum lease payments at the inception of the lease.

Outstanding obligations due under the finance lease terms after deducting finance charges are included as liabilities in the financial statements. The finance charges are allocated to periods under the lease terms so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

Property, plant and equipment acquired under the finance leases are depreciated over the estimated useful lives of the assets. Where there is no reasonable certainty that the ownership will be transferred to the company, the assets are depreciated over the shorter of the lease terms and their estimated useful lives.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. In arriving at the net realisable value, due allowance is made for obsolete, slow-moving and defective inventories.

The cost of timber logs is computed using the specific identification method and includes all attributable overheads in bringing the logs to their present location and condition.

The cost of work-in-progress and finished goods of timber products is computed using the weighted average method and comprises raw materials, direct labour and attributable production overheads in bringing such items to their present location and condition.

The cost of consumable stores and trading goods is determined on the first-in, first-out basis and comprises the purchase price and incidentals incurred in bringing such items to their present location and condition.

(i) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Deferred Taxation

Deferred taxation is provided using the liability method on all material timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefit is only recognised when there is reasonable expectation of realisation in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the approximate rates ruling as of that date. All exchange differences are taken to the income statement.

(m) Dividends

Dividends on ordinary shares are recognised as an appropriation of retained profits upon declaration, and are only taken up as liabilities upon the necessary approval being obtained.

(n) Revenue Recognition

(i) Revenue from Sales of Goods

Sales are recognised upon delivery of goods and customers' acceptance, and where applicable, net of returns and trade discounts.

(ii) Revenue from Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) Rental and Interest Income

Rental and interest income are recognised on an accrual basis.

(iv) Dividend Income

Dividend income from investments is recognised when the right to receive dividend payment is established.

(v) Management Fee

Management fee is recognised on an accrual basis.

(o) Segmental Information

Segment revenues 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 a segment and consist principally of cash, receivables, inventories and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

6. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND AND BUILDINGS RM	LEASEHOLD LAND AND BUILDINGS RM	MOBILE CRANES AND HEAVY VEHICLES RM	PLANT, MACHINERY, TOOLS AND EQUIPMENT RM	BARGES, MOTOR VEHICLES AND FORKLIFTS RM	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM	CONTAINERS RM	TOTAL RM
GROUP								
Net book value as at								
1.1.2002	39,900,481	14,529,018	8,435,985	11,689,395	4,477,053	1,367,963	7,317	80,407,212
Additions	54,720	480,000	1,012,500	107,980	1,090,743	261,042	-	3,006,985
Disposals	(3,246,000)	-	-	(22,030)	(607,426)	(11,033)	-	(3,886,489)
Write-off	-	-	-	-	(30,417)	(411)	-	(30,828)
Depreciation charge	(291,502)	(1,324,012)	(2,199,390)	(1,914,712)	(953,071)	(248,391)	(2,500)	(6,933,578)
Impairment loss	(1,500,000)	-	-	-	-	-	-	(1,500,000)
Disposal of a subsidiary	-	(194,343)	-	-	(984,355)	(78,386)	-	(1,257,084)
Net book value as at 31.12.2002	34,917,699	13,490,663	7,249,095	9,860,633	2,992,527	1,290,784	4,817	69,806,218
As at 31.12.2002								
At cost	316,112	19,915,892	26,743,687	27,283,516	12,317,049	3,150,175	25,000	89,751,431
At valuation - 2000	2,540,000	-	-	-	-	-	-	2,540,000
At valuation - 1999	34,575,000	850,000	-	-	-	-	-	35,425,000
Accumulated depreciation	(1,013,413)	(7,275,229)	(19,494,592)	(17,422,883)	(9,324,522)	(1,859,391)	(20,183)	(56,410,213)
Accumulated losses	(1,500,000)	-	-	-	-	-	-	(1,500,000)
Net book value	34,917,699	13,490,663	7,249,095	9,860,633	2,992,527	1,290,784	4,817	69,806,218
As at 31.12.2001								
At cost	261,392	19,435,892	25,731,187	27,197,566	12,848,504	2,978,963	25,000	88,478,504
At valuation - 2000	2,540,000	-	-	-	-	-	-	2,540,000
At valuation - 1999	37,821,000	1,050,000	-	-	-	-	-	38,871,000
Accumulated depreciation	(721,911)	(5,956,874)	(17,295,202)	(15,508,171)	(8,371,451)	(1,611,000)	(17,683)	(49,482,292)
Net book value	39,900,481	14,529,018	8,435,985	11,689,395	4,477,053	1,367,963	7,317	80,407,212
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at								
- 31.12.2002	18,361,436	12,684,637	7,249,095	9,860,633	2,992,527	1,290,784	4,817	52,443,929
- 31.12.2001	23,344,218	13,722,992	8,435,985	11,689,395	4,477,053	1,367,963	7,317	63,044,923

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	FREEHOLD LAND AND BUILDINGS RM	LEASEHOLD LAND AND BUILDINGS RM	MOTOR VEHICLES RM	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM	TOTAL RM
COMPANY					
Net book value as at 1.1.2002	37,360,481	5,833,803	-	459,693	43,653,977
Additions	54,720	-	280,350	16,478	351,548
Disposals	(3,246,000)	-	-	(6,693)	(3,252,693)
Depreciation charge	(291,502)	(126,984)	(51,398)	(85,266)	(555,150)
Impairment loss	(1,500,000)	-	-	-	(1,500,000)
Net book value as at 31.12.2002	32,377,699	5,706,819	228,952	384,212	38,697,682
As at 31.12.2002					
At cost	316,112	5,191,270	388,050	976,173	6,871,605
At valuation - 1999	34,575,000	850,000	-	-	35,425,000
Accumulated depreciation	(1,013,413)	(334,451)	(159,098)	(591,961)	(2,098,923)
Accumulated impairment losses	(1,500,000)	-	-	-	(1,500,000)
Net book value	32,377,699	5,706,819	228,952	384,212	38,697,682
As at 31.12.2001					
At cost	261,392	5,191,270	368,970	978,093	6,799,725
At valuation - 1999	37,821,000	850,000	-	-	38,671,000
Accumulated depreciation	(721,911)	(207,467)	(368,970)	(518,400)	(1,816,748)
Net book value	37,360,481	5,833,803	-	459,693	43,653,977
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at					
- 31.12.2002	14,103,110	5,092,189	228,952	384,212	19,808,463
- 31.12.2001	19,085,892	5,219,173	-	459,693	24,764,758

The leasehold land and buildings comprise the following:-

GROUP	LONG LEASEHOLD LAND AND BUILDINGS RM	SHORT LEASEHOLD LAND AND BUILDINGS RM	TOTAL RM
Net book value as at 1.1.2002	12,946,813	1,582,205	14,529,018
Addition	480,000	-	480,000
Depreciation charge	(1,229,070)	(94,942)	(1,324,012)
Disposal of a subsidiary	(194,343)	-	(194,343)
Net book value as at 31.12.2002	12,003,400	1,487,263	13,490,663

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	LONG LEASEHOLD LAND AND BUILDINGS RM	SHORT LEASEHOLD LAND AND BUILDINGS RM	TOTAL RM
GROUP			
As at 31.12.2002			
At cost	18,937,252	978,640	19,915,892
At valuation - 1999	-	850,000	850,000
Accumulated depreciation	(6,933,852)	(341,377)	(7,275,229)
Net book value	12,003,400	1,487,263	13,490,663
As at 31.12.2001			
At cost	18,457,252	978,640	19,435,892
At valuation - 1999	200,000	850,000	1,050,000
Accumulated depreciation	(5,710,439)	(246,435)	(5,956,874)
Net book value	12,946,813	1,582,205	14,529,018
COMPANY			
Net book value as at 1.1.2002	4,346,246	1,487,557	5,833,803
Depreciation charge	(45,024)	(81,960)	(126,984)
Net book value as at 31.12.2002	4,301,222	1,405,597	5,706,819
As at 31.12.2002			
At cost	4,391,270	800,000	5,191,270
At valuation - 1999	-	850,000	850,000
Accumulated depreciation	(90,048)	(244,403)	(334,451)
Net book value	4,301,222	1,405,597	5,706,819
As at 31.12.2001			
At cost	4,391,270	800,000	5,191,270
At valuation - 1999	-	850,000	850,000
Accumulated depreciation	(45,024)	(162,443)	(207,467)
Net book value	4,346,246	1,487,557	5,833,803

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The directors revalued the landed properties using the open market value basis based on valuations carried out by firms of independent valuers. The excess of the directors' valuation of the properties over the net book value has been credited to a revaluation reserve. The tax effect relating to the revaluation has not been disclosed as there is no intention by the Group to dispose of its revalued properties in the foreseeable future.

The net book value of assets pledged as security for bank borrowings (Note 18) are as follows:-

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Freehold land and buildings	-	39,900,481	-	37,360,481
Leasehold land and buildings	7,783,844	13,820,681	-	5,125,466
	7,783,844	53,721,162	-	42,485,947

Included in the net book value of property, plant and equipment at the balance sheet date are the following property, plant and equipment acquired under hire purchase terms:-

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Mobile cranes and heavy vehicles	-	3,363,497	-	-
Motor vehicles	1,972,762	1,392,500	-	-
	1,972,762	4,755,997	-	-

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2002	2001
	RM	RM
Unquoted shares		
- at cost	127,046,451	127,948,627
- at valuation	8,479,606	8,479,606
	135,526,057	136,428,233
Allowance for diminution in value	(5,224,419)	(5,224,419)
	130,301,638	131,203,814

The investment in subsidiaries stated at valuation were revalued by the directors based on the net tangible asset value of the subsidiaries at 31 December 1992 and as modified by the valuation approved by the Securities Commission in 1994.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

NAME OF COMPANY	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2002 %	2001 %	
# Sanbumi Sawmill Sdn. Bhd.	100	100	Sawmillers and timber log traders
# Akalaju Sdn. Bhd.	100	100	Sawmillers and timber log traders
# Sanbumi Wood Processing Sdn. Bhd.*	100	100	Manufacturer of downstream wood products
# Barateguh Sdn. Bhd.*	100	100	Trading of sawn timber products and timber logs
# Metro Ajaib Sdn. Bhd.*	100	100	Trading of timber logs
# Mirim Timber Sdn. Bhd.*	100	100	Trading of timber logs
EMC Cranes Sdn. Bhd.	100	100	Rendering of mobile crane services
EMC Cranes (K.L.) Sdn. Bhd.	50.20	50.20	Rendering of mobile crane services
EMC Capital Sdn. Bhd.	100	100	Insurance agent
EMC Containers Sdn. Bhd.	70	70	Hiring of vehicle
EMC Warehouse Services Sdn. Bhd.	100	100	Rendering of warehouse services
EMC Marketing Sdn. Bhd.	100	100	Trading in heavy machineries, industrial equipment, supplies and lubricants
EMC Engineering Services Sdn. Bhd.**	62.50	62.50	Sales of vehicle accessories and rendering of vehicle engineering services
Kedah Coastal Transport & Trading Company Sdn. Berhad	-	60.37	Rendering of lorry transport services
# KC Transport Sdn. Bhd.***	-	60.37	Rendering of lorry transport services

* Interest held by Sanbumi Sawmill Sdn. Bhd.

** Interest held by EMC Marketing Sdn. Bhd.

*** Interest held by Kedah Coastal Transport & Trading Company Sdn. Berhad.

Not audited by Horwath Mok & Poon.

The audit reports on the following subsidiaries were qualified on the applicability of preparing the financial statements on a going concern basis:-

(i) *EMC Cranes Sdn. Bhd.*

EMC Cranes Sdn. Bhd. has a deficit in shareholders' equity and net current liabilities of RM9,347,512 and RM15,758,243 respectively at the balance sheet date. The appropriateness of preparing the financial statements on a going concern basis depends on the continued financial support from its holding company or creditors and the improvement of the future operating results of the Company.

(ii) *EMC Containers Sdn. Bhd.*

EMC Containers Sdn. Bhd. has a deficit in shareholders' equity and net current liabilities of RM784,850 and RM802,193 respectively at the balance sheet date. The appropriateness of preparing the financial statements on a going concern basis depends on the continued financial support from its holding company or creditors and the improvement of the future operating results of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(iii) EMC Warehouse Services Sdn. Bhd.

EMC Warehouse Services Sdn. Bhd. has a deficit in shareholders' equity and net current liabilities of RM584,803 and RM671,453 respectively at the balance sheet date. The appropriateness of preparing the financial statements on a going concern basis depends on the continued financial support from its holding company or creditors and the improvement of the future operating results of the Company.

8. INVESTMENT IN ASSOCIATES

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Unquoted shares				
- at cost	1,274,000	1,394,000	294,001	294,001
- at valuation	-	-	342,999	342,999
	1,274,000	1,394,000	637,000	637,000
Allowance for diminution in value of shares	(637,000)	(637,000)	(637,000)	(637,000)
	637,000	757,000	-	-
Share of post-acquisition accumulated losses	(637,000)	(576,772)	-	-
	-	180,228	-	-

The Group's interest in associates is as follows:-

	GROUP	
	2002	2001
	RM	RM
Share of net liabilities	(794,261)	(614,033)
Premium arising on acquisition	1,431,261	1,431,261
Allowance for diminution in value	(637,000)	(637,000)
	-	180,228

Details of the associates, all of which are incorporated in Malaysia, are as follows:-

EFFECTIVE EQUITY INTEREST			
	2002	2001	
NAME OF COMPANY	%	%	PRINCIPAL ACTIVITIES
Ferrotrans Sdn. Bhd.	49	49	Rendering of forwarding and warehouse services and sales of diesel
K.C.M Perkhidmatan Pengangkutan (Kedah) Sdn. Bhd.*	-	24.15	Provision of haulage and delivery services

* Interest held by Kedah Coastal Transport & Trading Company Sdn. Berhad

The investment in Ferrotrans Sdn. Bhd. was revalued by the directors based on the net tangible asset value of the associate at 31 December 1992 and as modified by the valuation approved by the Securities Commission in 1994.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

9. OTHER INVESTMENT

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Unquoted shares, at cost	150,000	150,000	150,000	150,000

10. INVENTORIES

	GROUP	
	2002 RM	2001 RM
AT COST		
Raw materials	1,836,689	3,065,765
Work-in-progress	8,497,602	9,781,878
Finished goods	6,744,835	9,738,634
Consumable stores	719,542	759,750
	17,798,668	23,346,027
AT NET REALISABLE VALUE		
Finished goods	2,542,012	182,611
Work-in-progress	-	6,810
	2,542,012	189,421
	20,340,680	23,535,448

11. TRADE RECEIVABLES

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade receivables	36,417,725	44,747,852	135,151	54,067
Provision for doubtful debts				
At 1 January	(6,251,404)	(5,567,815)	(43,632)	(45,632)
Allowance for the financial year	(348,190)	(1,011,194)	-	-
Reversal of allowance no longer required	170,921	110,004	650	2,000
Amount utilised	136,199	217,601	6,552	-
Disposal of a subsidiary	245,471	-	-	-
At 31 December	(6,047,003)	(6,251,404)	(36,430)	(43,632)
	30,370,722	38,496,448	98,721	10,435

The Group's normal trade credit terms range from cash terms to 90 days.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Other receivables, deposits and prepayments	79,296,518	57,595,793	3,906,448	886,795
Allowance for doubtful debts at 1 January	(9,498,309)	(9,496,259)	(426,400)	(426,400)
Allowance for the financial year	-	(2,050)	-	-
Reversal of allowance no longer required	3,015	-	-	-
Amount utilised	15,746	-	-	-
At 31 December	(9,479,548)	(9,498,309)	(426,400)	(426,400)
	69,816,970	48,097,484	3,480,048	460,395

Included in other receivables, deposits and prepayments of the Group are log purchase advances amounting to RM65,217,381 (2001 - RM44,694,117).

Log purchase advances amounting to RM47,687,505 (2001 - RM35,123,402) were made by the subsidiaries to Rintisan Bumi Sdn. Bhd., a company in which a person connected to certain directors of the Company has a substantial financial interest. Further details are shown in Note 35 to the financial statements.

13. AMOUNT OWING BY/TO SUBSIDIARIES

	COMPANY	
	2002	2001
	RM	RM
Amount owing by subsidiaries	27,588,327	15,242,709
Allowance for doubtful debts	(2,722,440)	(2,722,440)
	24,865,887	12,520,269
Amount owing to subsidiaries	-	294,640
The amount owing comprises the following:—		
Amount owing by subsidiaries		
Trade	2,412,786	1,816,102
Non-trade	25,175,541	13,426,607
	27,588,327	15,242,709
Amount owing to subsidiaries		
Non-trade	-	294,640

The non-trade amount owing by subsidiaries includes an amount of RM4,794,005 (2001 - RM1,576,067) which bears interest at rates ranging from 1% to 2% (2001 - 2%) per annum above the bank's base lending rate. The remaining balance is free of interest. The non-trade amount is not subject to fixed terms of repayment.

The amount owing to subsidiaries is unsecured, interest-free and not subject to fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

14. AMOUNT OWING BY/TO ASSOCIATES

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Amount owing by associates	1,069,518	1,248,716	1,069,518	1,066,425
Allowance for doubtful debts				
At 1 January	(946,869)	(946,869)	(946,869)	(946,869)
Reversal of allowance no longer required	429	-	429	-
At 31 December	(946,440)	(946,869)	(946,440)	(946,869)
	123,078	301,847	123,078	119,556
Amount owing to associates -				
Non-trade	96,000	96,000	96,000	96,000
Amount owing by associates comprises:-				
Trade	977,911	1,160,832	977,911	978,541
Non-trade	91,607	87,884	91,607	87,884
	1,069,518	1,248,716	1,069,518	1,066,425

The non-trade amounts owing are unsecured, interest-free and not subject to fixed terms of repayment.

15. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits are placed under lien in favour of the banks as security for banking facilities granted to certain subsidiaries.

16. TRADE PAYABLES

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

17. HIRE PURCHASE PAYABLES

	GROUP	
	2002 RM	2001 RM
Future minimum hire purchase payments:-		
Payable not later than one year	303,781	2,845,376
Payable later than one year and not later than five years	163,316	856,303
	467,097	3,701,679
Future finance charges	(29,505)	(653,312)
Present value of hire purchase liabilities	437,592	3,048,367
Current:		
Payable not later than one year	268,735	2,399,891
Non-current		
Payable later than one year and not later than five years	168,857	648,476
	437,592	3,048,367

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

18.SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Bank overdrafts (Note 32)	541,519	15,262,139	-	8,751,342
Bankers' acceptances	10,848,000	9,907,292	-	-
Term loans	-	1,932,264	-	1,932,264
	11,389,519	27,101,695	-	10,683,606

The bank overdrafts bear interest at rates ranging between 1.5% to 3.65% (2001 - 1.5% to 4%) per annum above the banks' base lending rates. Bankers' acceptances are discounted at the prevailing market rate.

The bank overdrafts and bankers' acceptances are secured as follows:-

- (i) by legal charges over the landed properties of the subsidiaries and the Company;
- (ii) by fixed and floating charges over the assets of certain subsidiaries;
- (iii) by the joint and several guarantees by certain directors and former directors of the subsidiaries; and
- (iv) by corporate guarantees by the Company.

19.SHARE CAPITAL

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Ordinary Shares Of RM1.00 Each:-				
Authorised	250,000,000	250,000,000	250,000,000	250,000,000
Issued and fully paid-up				
At 1 January	174,238,348	17,570,000	174,238,348	17,570,000
Issue for acquisitions of subsidiaries	-	127,628,623	-	127,628,623
Rights issue	-	29,039,725	-	29,039,725
Special issue	15,000,000	-	15,000,000	-
At 31 December	189,238,348	174,238,348	189,238,348	174,238,348

On 23 August 2002, the Company increased its issued and paid-up share capital from RM174,238,348 to RM189,238,348 by the special issue of 15,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.35 per share to bumiputera investors pursuant to the corporate exercise as disclosed in Note 38 to the financial statements.

The new shares issued rank pari passu in all respects with the existing shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

20. RETAINED PROFITS/(ACCUMULATED LOSSES)

	PRE-MERGER PROFIT/(LOSS)			
	The Company And Its Subsidiaries Accounted Under Acquisition Method Of Accounting RM	Subsidiaries Accounted Under Merger Accounting RM	Post- Merger Profit RM	Total RM
GROUP				
Balance at 1.1.2001	(25,597,454)	51,389,085	-	25,791,631
Current year (loss)/profit	(12,795)	417,870	20,716,700	21,121,775
Balance at 31.12.2001/1.1.2002	(25,610,249)	51,806,955	20,716,700	46,913,406
Transfer from other reserves arising from disposal of a subsidiary	730,345	-	-	730,345
Current year profit	-	-	9,765,461	9,765,461
Balance at 31.12.2002	(24,879,904)	51,806,955	30,482,161	57,409,212

21. OTHER RESERVES

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
SHARE PREMIUM				
At 1 January	10,421,208	1,852,604	10,421,208	1,852,604
Premium arising from special/rights issue	5,250,000	10,163,904	5,250,000	10,163,904
Share issue expenses	(883,806)	(1,595,300)	(883,806)	(1,595,300)
At 31 December	14,787,402	10,421,208	14,787,402	10,421,208
REVALUATION RESERVE				
At 1 January	16,262,780	16,262,780	16,643,639	16,643,639
Disposal of a subsidiary	(55,397)	-	-	-
At 31 December	16,207,383	16,262,780	16,643,639	16,643,639
CAPITAL RESERVE				
At 1 January	2,436,626	2,436,626	-	-
Disposal of a subsidiary	(853,800)	-	-	-
At 31 December	1,582,826	2,436,626	-	-
RESERVE ON CONSOLIDATION				
At 1 January	604,789	604,789	-	-
Disposal of a subsidiary	(399,867)	-	-	-
At 31 December	204,922	604,789	-	-
	32,782,533	29,725,403	31,431,041	27,064,847
The Revaluation Reserve comprises:-				
Surplus on revaluation of properties	16,207,383	16,262,780	16,207,385	16,207,385
Surplus on revaluation of investments	-	-	436,254	436,254
	16,207,383	16,262,780	16,643,639	16,643,639

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

21. OTHER RESERVES (CONT'D)

The capital reserve represents post-acquisition profits in subsidiaries utilised for the issue of bonus shares by the subsidiaries.

The other reserves are non-distributable reserves for the purpose of declaring cash dividends.

22. MERGER DEFICIT

	GROUP	
	2002	2001
	RM	RM
Non-Distributable		
Arising from merger with Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd.	(109,628,623)	(109,628,623)

The merger deficit relates to the difference between the nominal value of shares issued for the purchase of the subsidiaries of RM127,628,623 and the nominal value of the shares acquired of RM18,000,000.

23. DEFERRED TAXATION

	GROUP	
	2002	2001
	RM	RM
At 1 January	1,563,000	1,675,163
Transfer to income statement (Note 28)	(429,000)	(112,163)
At 31 December	1,134,000	1,563,000

The deferred taxation is in respect of timing differences between depreciation charges and capital allowances claimed on qualifying assets.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

23. DEFERRED TAXATION (CONT'D)

The potential deferred taxation benefits, arising from timing differences, that have not been accounted for in the financial statements are as follows:-

	Unutilised Tax Losses RM	Others RM	Total RM
GROUP			
Balance at 1.1.2001	5,434,800	240,100	5,674,900
Arising during the financial year	51,400	125,500	176,900
Balance at 31.12.2001/1.1.2002	5,486,200	365,600	5,851,800
Utilised during the financial year	(92,500)	(366,700)	(459,200)
Balance at 31.12.2002	5,393,700	(1,100)	5,392,600
COMPANY	RM	RM	RM
Balance at 1.1.2001	1,298,000	322,000	1,620,000
Arising during the financial year	-	112,000	112,000
Balance at 31.12.2001/1.1.2002	1,298,000	434,000	1,732,000
(Utilised)/Arising during the financial year	(142,000)	10,000	(132,000)
Balance at 31.12.2002	1,156,000	444,000	1,600,000

24. TURNOVER

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Sales of timber	231,411,689	223,220,038	-	-
Mobile crane services	15,840,269	13,001,736	-	-
Freight	3,630,078	5,592,136	-	-
Trading	3,068,344	3,393,436	-	143
Investments	226,022	368,719	-	-
Warehouse and container handling services	449,929	621,583	-	-
Rental income	576,636	508,111	1,310,636	1,346,111
Management fee	-	-	248,400	260,400
	255,202,967	246,705,759	1,559,036	1,606,654

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

25. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Gain on disposal of property, plant and equipment	-	21,897	-	105,276
Gain on foreign exchange	3,066	5,648	-	-
Gain on disposal of a subsidiary (Note 31)	474,552	-	297,824	-
Interest income	115,533	572,309	291,089	779,221
Reversal of allowance for doubtful debts	173,936	110,004	1,079	2,097
Rental income	647,047	508,111	-	-
Reversal of overprovision for import tax duties	-	1,052,076	-	-
Road maintenance contract	2,248,810	2,212,570	-	-
Waiver of interest on borrowings	697,576	696,155	-	-
Write-back of provision for penalty	-	200,000	-	200,000
Others	1,458,097	1,558,704	6,800	4,200
	5,818,617	6,937,474	596,792	1,090,794

26. OTHER OPERATING EXPENSES

Included in other operating expenses is the following exceptional item:-

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Impairment loss of leasehold land and buildings	(1,500,000)	-	(1,500,000)	-

27. PROFIT/(LOSS) BEFORE TAXATION

In addition to the disclosures in Note 25 and Note 26, the profit/(loss) before taxation is arrived at after charging/(crediting):-

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Allowance for doubtful debts	348,190	1,013,244	-	-
Audit fee				
- for the financial year	115,500	123,625	20,000	20,000
- under/(over)provision in previous financial year	(3,100)	2,968	-	-
Bad debts written off	38,841	7,638	12,910	-
Depreciation of property, plant and equipment	6,933,578	7,677,823	555,150	563,204
Directors' fees				
- directors of the Company	289,839	228,216	289,839	225,216
- other directors	7,000	9,000	-	-
Directors' other emoluments				
- directors of the Company	772,200	659,632	-	22,972
- other directors	122,672	230,352	-	-

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

27. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Interest expense				
- bank overdraft	691,520	3,184,758	195,619	1,437,160
- hire purchase	218,132	276,641	-	-
- loan	143,383	531,784	80,013	514,876
- others	296,423	860,470	3,040	10,589
Land lease tenancy	60,000	60,000	-	-
Plant and equipment written off	30,828	9,656	266	-
Rental of equipment	16,068	28,806	-	-
Rental of premises	199,530	176,379	-	-
Staff costs	9,310,836	10,179,541	167,698	162,543
Write-down of plant and equipment	-	75,000	-	-
Loss on disposal of property, plant and equipment	203,542	-	659,176	-

28. TAXATION

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
For the financial year	(5,050,600)	(9,091,600)	-	-
Deferred taxation (Note 23)	429,000	112,163	-	-
	(4,621,600)	(8,979,437)	-	-
Overprovision in previous financial years	79,928	74,389	-	96,674
	(4,541,672)	(8,905,048)	-	96,674

The effective tax rate for the Group is higher than the statutory tax rate as losses of certain subsidiaries cannot be set off against profits made by other companies in the Group.

Subject to agreement with the tax authorities, the Company has unutilised tax losses and unabsorbed capital allowances of approximately RM4,128,000 (2001 – RM4,636,000) and RM1,510,000 (2001 - RM1,542,000) available at the balance sheet date to be carried forward for offset against future taxable income.

29. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group net profit attributable to shareholders of RM9,765,461 (2001 - RM21,121,775) by the weighted average number of ordinary shares in issue during the financial year of 179,621,909 (2001 - 158,105,168).

The diluted earnings per share is not applicable as there are no dilutive potential ordinary shares outstanding at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

30. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Cost of property, plant and equipment acquired	3,006,985	1,222,027	351,548	34,300
Amount financed through hire purchase	(487,500)	(425,000)	-	-
Cash disbursed for purchase of property, plant and equipment	2,519,485	797,027	351,548	34,300

31. SUMMARY OF EFFECTS OF DISPOSAL OF A SUBSIDIARY

The effect of the disposal of the subsidiary on the financial results of the Group for the financial year is as follows:-

	GROUP	
	2002	2001
	RM	RM
Turnover	3,856,100	-
Cost of sales	(3,171,837)	-
Gross profit	684,263	-
Less: Operating expenses	(714,036)	-
Loss from operations	(29,773)	-
Finance costs	(41,370)	-
Minority interest	28,194	-
Net loss	(42,949)	-

Details of the net assets disposed and the cash flows arising from the disposal of the subsidiary are as follows:-

	GROUP	
	2002	2001
	RM	RM
Property, plant and equipment	1,257,084	-
Investment	187,884	-
Current assets	2,417,115	-
Current liabilities	(1,701,909)	-
Minority interest	(856,012)	-
	1,304,162	-
Reserve on consolidation arising from disposal	(578,714)	-
Group's share of net assets disposed	725,448	-
Gain on disposal (Note 25)	474,552	-
Proceeds from disposal	1,200,000	-
Cash and cash equivalents of subsidiary disposed	(200,786)	-
Net cash inflow arising from disposal of a subsidiary	999,214	-

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

32. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Fixed deposits	696,998	668,583	-	-
Cash and bank balances	13,984,761	22,718,177	5,717,602	10,291,839
Bank overdrafts (Note 18)	(541,519)	(15,262,139)	-	(8,751,342)
	14,140,240	8,124,621	5,717,602	1,540,497

33. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by directors of the Company during the financial year are as follows:-

	Directors' Fee		Directors' Other Emoluments		
	No. Of Directors	RM	No. Of Directors	RM	Total RM
GROUP					
Year 2002					
- Below RM50,000	8	289,839	-	-	289,839
- Between RM50,001 and RM300,000	-	-	3	772,200	772,200
Year 2001					
- Below RM50,000	9	228,216	1	22,972	251,188
- Between RM50,001 and RM250,000	-	-	3	636,660	636,600
COMPANY					
Year 2002					
- Below RM50,000	8	289,839	-	-	289,839
Year 2001					
- Below RM50,000	8	225,216	1	22,972	248,188

34. SIGNIFICANT RELATED COMPANY TRANSACTIONS

	COMPANY	
	2002	2001
	RM	RM
Transactions with subsidiaries:-		
Interest income	203,816	-
Interest expense	-	8,179
Rental income	734,000	838,800
Management fee	248,400	260,400
Other sundry income	3,000	125,869

For The Financial Year Ended 31 December 2002

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

Name Of Related Party	Nature of Transactions	GROUP			
		Value Of Transactions		Amount Receivable	
		2002 RM	2001 RM	2002 RM	2001 RM
Rintisan Bumi Sdn. Bhd.	Purchase of logs	95,643,850	73,614,783	47,687,505	35,123,402
	Office rental payable	24,000	24,000	-	-
	Interest receivable on overdue account	600,000	600,000	-	-

A person connected to Datuk Chai Kin Kong and Chai Kim Chong is a substantial shareholder of Rintisan Bumi Sdn. Bhd.. The amount receivable refers to advances for the future supply of logs pursuant to an agreement for purchase of logs.

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business on terms established and agreed upon by way of negotiations between the parties.

36. CONTINGENT LIABILITY

	COMPANY	
	2002	2001
	RM	RM
Unsecured		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	-	14,131,727

37.SEGMENTAL INFORMATION

[illegible]

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

37. SEGMENTAL INFORMATION (CONT'D)

	Timber		Mobile Cranes		Others		Group	
	2002	2001	2002	2001	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	132,842	134,709	19,461	19,481	53,058	60,432	205,361	214,622
Segment liabilities	7,089	10,877	2,448	4,472	1,193	6,431	10,730	21,780
Unallocated liabilities	-	-	-	-	-	-	22,989	49,088
							33,719	70,868
Capital expenditure	1,608	882	1,036	239	363	101	3,007	1,222
Depreciation and amortisation	3,742	3,669	2,244	2,549	948	1,460	6,934	7,678
Impairment loss	-	-	-	-	1,500	-	1,500	-

No geographical analysis has been prepared as the Group operates wholly in Malaysia.

38. SIGNIFICANT EVENTS

(i) The Company undertook a corporate exercise and on 12 December 2000, an Extraordinary General Meeting was held and the resolutions relating to the following proposals were duly passed:

- Proposed acquisition of the entire issued and paid-up ordinary share capital of Sanbumi Sawmill Sdn. Bhd.;
- Proposed acquisition of the entire issued and paid-up ordinary share capital of Akalaju Sdn. Bhd.;
- Proposed rights issue of 29,039,725 new ordinary shares of RM1.00 each after the above acquisitions;
- Proposed special issue of 15,000,000 new ordinary shares of RM1.00 each to the bumiputera investors approved by the relevant authorities; and
- Proposed increase in authorised share capital from RM20,000,000 to RM250,000,000 by the creation of additional 230,000,000 ordinary shares of RM1.00 each.

The proposed acquisitions of Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd., the proposed rights issue and the proposed increase in authorised share capital were completed in the previous year.

On 23 August 2002, the Company issued 15,000,000 new ordinary shares of RM1.00 each at issue price of RM1.35 per share to approved bumiputera investors pursuant to the above proposed special issue. With the issuance of the shares to approved bumiputera investors, the above-mentioned corporate exercise has been duly completed.

(ii) On 31 August 2002, the Company disposed of its entire equity interest comprising 996,100 ordinary shares of RM1.00 each in Kedah Coastal Transport & Trading Company Sdn. Bhd. to a third party for a total cash consideration of RM1,200,000.

39. NUMBER OF EMPLOYEES

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Number of employees at the end of the financial year	511	721	6	7

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2002

40. FOREIGN EXCHANGE RATES

The applicable closing exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) in translating foreign currency balances are as follows:-

	2002	2001
	RM	RM
United States Dollar	3.80	3.80
Singapore Dollar	2.30	2.10

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities of the Group/Company at the balance sheet date approximated their fair values.

SHAREHOLDING STATISTICS

As At 2 May 2003

Share Capital

Authorised Share Capital	:	RM250,000,000
Issued and Paid-up Capital	:	RM189,238,348
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

SUBSTANTIAL SHAREHOLDERS

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 2 May 2003 are as follows:-

Name of Substantial Shareholders	Direct		Indirect	
	No of shares	%	No of shares	%
Dato' Chua Tiong Moon	5,084,862	2.69	53,295,313#	28.16
Datuk Chai Kin Kong	2,757,170	1.46	58,295,313*	30.81
Lee Meow Soon	-	-	53,295,313#	28.16
Chai Kim Chong	5,000,000	2.64	56,052,483*	29.62
Chai Kin Loong	-	-	61,052,483*	32.26
Chua Ah Nye	-	-	53,295,313#	28.16
Equal Accord Sdn Bhd	53,295,313	28.16	-	-

* Deemed interest by virtue of Datuk Chai Kin Kong, Chai Kim Chong and Chai Kin Loong are brothers and their substantial shareholding in Equal Accord Sdn Bhd

Deemed interest by virtue of their substantial shareholding in Equal Accord Sdn Bhd

DIRECTORS SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 2 May 2003 are as follows:-

Name of Directors	Direct		Indirect	
	No of shares	%	No of shares	%
Dato' Noorazman bin Adnan	461,000	0.24	-	-
Dato' Chua Tiong Moon	5,084,862	2.69	53,295,313#	28.16
Datuk Chai Kin Kong	2,757,170	1.46	58,295,313*	30.81
Chai Kim Chong	5,000,000	2.64	56,052,483*	29.62
Rahadian Mahmud bin Mohammad Khalil	3,000,000	1.59	-	-
Zainurin bin Karman	-	-	-	-
Lee Gee Huy @ Lee Kong Fee	-	-	-	-
Boey Tak Kong	-	-	-	-

* Deemed interest by virtue of Datuk Chai Kin Kong and Chai Kim Chong who are brothers and another brother Chai Kin Loong who are substantial shareholders of Equal Accord Sdn Bhd which holds substantial shareholding in Sanbumi Holdings Berhad.

Deemed interest by virtue of his substantial shareholding in Equal Accord Sdn Bhd

SHAREHOLDING STATISTICS

As At 2 May 2003 (continued)

ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS

	No. of Shares	% Over Total Shares	No. of Share- holders	% Over Total Share- holders
1 – 999	8,536	0.00	24	0.28
1,000 – 10,000	23,778,515	12.57	7,437	86.14
10,001 – 100,000	30,426,313	16.08	1,048	12.14
100,001 – 9,461,916	92,405,671	48.83	124	1.44
9,461,917 and Above	42,619,313	22.52	1	0.00
	189,238,348	100.00	8,634	100.00

THIRTY LARGEST SHAREHOLDERS

NAME OF SHAREHOLDERS	No. of Shares	%
1. EQUAL ACCORD SDN BHD	42,619,313	22.52
2. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WANG NAM (DEALER 072)	7,500,000	3.96
3. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD (CUSTODY DLR 072-MARGIN)	6,000,000	3.17
4. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD BHLB PACIFIC EMERGING COMPANIES GROWTH FUND	5,838,000	3.08
5. EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR CHUA TIONG MOON	5,084,862	2.69
6. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	5,060,000	2.67
7. OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR CHAI KIM CHONG	5,000,000	2.64
8. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD (DEALER 072- MARGIN)	4,276,000	2.26
9. OSK NOMINEES (TEMPATAN) SDN BERHAD OSK CAPITAL SDN BHD FOR OTHMAN BIN AHMAD	3,000,000	1.59
10. OSK NOMINEES (TEMPATAN) SDN BERHAD OSK CAPITAL SDN BHD FOR RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	3,000,000	1.59
11. EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR CHAI KIN KONG	2,757,170	1.46
12. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND (029)	2,250,000	1.19
13. PICAMAS NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK SU CHING	2,000,000	1.06
14. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PHEIM EMERGING COMPANIES BALANCED FUND (4033)	1,753,000	0.93
15. BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR A.A. ANTHONY SECURITIES SDN BHD (3193 HPZA)	1,485,000	0.78
16. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD ALLIANCE FIRST FUND	1,414,000	0.75

SHAREHOLDING STATISTICS

As At 2 May 2003 (continued)

THIRTY LARGEST SHAREHOLDERS *(continued)*

NAME OF SHAREHOLDERS	No. of Shares	%
17. HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KAM LIN (MEMO)	1,370,000	0.72
18. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAHAYA KELANA SDN BHD	1,305,000	0.69
19. HONG LEONG FINANCE BERHAD PLEDGED SECURITIES ACCOUNT FOR ANG SWEE KIN	1,246,000	0.66
20. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR MAGNUM 4D (SELANGOR) SDN BHD	1,219,000	0.64
21. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI KIEW @ TAI CHOON CHYE (MLK)	1,176,000	0.62
22. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD MALAYSIAN TRUSTEES BERHAD FOR ALLIANCE VISION FUND (00-10033-000)	1,106,000	0.58
23. PICAVEST SDN BHD	1,000,000	0.53
24. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD ALLIANCE FIRST FUND	875,000	0.46
25. LIM MEOW FATT	860,000	0.45
26. HONG LEONG FINANCE BERHAD PLEDGED SECURITIES ACCOUNT FOR CHIN LIH LIH	855,000	0.45
27. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR MAGNUM 4D (SELANGOR) SDN BHD (032)	844,000	0.45
28. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR MAGNUM CORPORATION BHD	790,000	0.42
29. THONG & KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOY CHIN GOON	749,000	0.40
30. AMSEC NOMINEES (TEMPATAN) SDN BHD AMEQUITIES SDN BHD FOR LAU HOCK KWAI	711,482	0.38
TOTAL	113,143,827	59.79

PARTICULARS OF PROPERTIES HELD

Summary of landed properties owned as at 31 December 2002.

Owner	Location	Tenure	Existing use	Land area Sq.ft.	Approx. age of building (years)	NBV as at 31.12.02 RM'000	Last revaluation date
Sanbumi Holdings Berhad ("SHB")	Lot 2071 Mukim 6 Seberang Prai Tengah	Freehold	4 storey office building with an annexed workshop	84,419	25	5,463	23 August 1999
SHB	Lot 1511 Mukim 6 Seberang Prai Tengah	Freehold	Staff quarters, workshop and store	111,601	24	5,243	23 August 1999
SHB	Lot 3424 Mukim 6 Seberang Prai Tengah	Freehold	Bonded warehouse with annexed office	36,678	12	3,636	23 August 1999
SHB	Lot 850 Mukim 6 Seberang Prai Tengah	Freehold	Heavy vehicle parking area	49,048		1,397	23 August 1999
SHB	Lot 1186 & 1611 Mukim 6 Seberang Prai Tengah	Freehold	Warehouse with annexed office & container storage yard	317,944	9	11,146	23 August 1999
SHB	Part of Lot 3423 Mukim 6 Seberang Prai Tengah	Freehold	Storage yard	55,626		615	23 August 1999
SHB	Lot 1619 Mukim 6 Seberang Prai Tengah	Freehold	Vacant land	43,734		3,459	23 August 1999
SHB	Lot 1590, 1595 & 1598 Mukim 17 Sg. Lembu Seberang Prai Tengah	Freehold	Vacant land	441,263		1,680	10 December 1999
SHB	Lot 739 Section 16 Georgetown, Daerah Timur-laut Pulau Pinang	Freehold	2 storey shophouse	2,292	>50	940	10 December 1999
EMC Cranes Sdn Bhd	Lot 451 Mukim 17 Sg Lembu Seberang Prai Tengah	Freehold	Vacant land	795,231		2,540	12 June 2000
SHB	Plot 34 H.S. (M) 16/1977 Mukim of Mergong Kota Setar, Kedah	Leasehold -Sub-lease expiring on 14 /05 2037 - 35 years remaining	2 storey office with annexed workshop	34,000	26	780	31 December 1999

PARTICULARS OF PROPERTIES HELD

(continued)

Owner	Location	Tenure	Existing use	Land area Sq.ft.	Approx. age of building (years)	NBV as at 31.12.02 RM'000	Last revaluation date
SHB	HS(D) LM 218/84 Lot 5395, Mukim Tupai Daerah Larut & Matang, Perak	Leasehold – expiring on 24/01/ 2014 12 years remaining	2 storey office cum factory and a single storey workshop	16,007	16	650	18 June 1999 (effective date of acquisition)
SHB	Plot 8 to 13 Kamunting Raya Industrial Estate, Mukim Asam Kumbang Daerah Larut & Matang, Perak	Leasehold – expiring on 07/12/ 2097 95 years remaining	Part-completed 2 story office with annexed factory/ Workshop	262,952		3,077	17 January 2000 (effective date of acquisition)
Sanbumi Sawmill Sdn Bhd	CL105472688 District of Kalabakan, Tawau, Sabah	Leasehold – expiring on 31 /12/ 2052 50 years remaining	Factory building, staff quarters, workshop, store and office	1,742,527	4-12	7,222	24 May 2000
Akalaju Sdn Bhd	CL095330251 Sg. Milian Tangod, District of Kinabatangan, Sabah	Leasehold – expiring on 31 /12/ 2096 94 years remaining	Factory building, staff quarters, workshop, store and office	2,610,191	8-9	562	29 May 2000



SANBUMI HOLDINGS BERHAD (8386-P)

FORM OF PROXY

Shareholding represented by Proxy

I/We _____
(Full Name In Capital Letters)

of _____
(Address)

being a member/members of **Sanbumi Holdings Berhad** ("the Company"), hereby appoint

(Full Name)

of _____

or failing him/her _____

of _____

or failing him/her the **CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held at Conference Room, Second Floor, Wisma EMC, 972, Jalan Baru, 13700 Prai, Penang on **Friday, 27 June 2003 at 10.00 a.m.** and at any adjournment thereof in the manner indicated:-

Resolutions		For	Against
Resolution 1	Adoption of financial statements and reports of Directors and Auditors		
Resolution 2	Approval of the payment of Directors' fees		
Resolution 3	Re-election of Director: Dato' Chua Tiong Moon		
Resolution 4	Re-election of Director: Mr Chai Kim Chong		
Resolution 5	Re-election of Director: Encik Rahadian Mahmud bin Mohammad Khalil		
Resolution 6	Appointment of Messrs Horwath as Auditors and to authorise the Directors to fix their remuneration		
Resolution 7	Authority to allot shares		
Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 9	Amendment to Articles of Association		

Please indicate with 'X' how you wish your vote to be cast. Unless voting instructions are indicated in the space above, the proxy will vote or abstain from voting as he/she thinks fit.

Dated this day of 2003.

CDS Account Number	
Number of shares held	

Signature/Common Seal of Appointer

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf.
2. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Wisma EMC, 972, Jalan Baru, 13700 Prai, Penang not less than 48 hours before the time set for the meeting.
3. Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act 1965.

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POSTAGE

THE SECRETARY
SANBUMI HOLDINGS BERHAD (8386-P)
Wisma EMC
972 Jalan Baru
13700 Prai
Penang

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