



2003 annual report



SANBUMI HOLDINGS BERHAD
(8386 P)



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(8386 P)





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notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Thirty-Fifth 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, 25 June 2004 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 2003 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 2003. (Resolution 2)
3. To re-elect the following Directors who retire in accordance with Article 93 of the Company's Articles of Association:-
 - Tan Sri Datuk Chai Kin Kong (Resolution 3)
 - Mr Lee Gee Huy @ Lee Kong Fee, JP (Resolution 4)
 - Mr Boey Tak Kong (Resolution 5)
4. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to determine their remuneration. (Resolution 6)

As Special Business

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

Authority to issue shares

(Resolution 7)

"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 Bursa Malaysia Securities Berhad, 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 3 June 2004, 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").





notice of annual general meeting (Cont'd)

- (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;
 - (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 3 June 2004."
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: 3 June 2004





notice of annual general meeting (Cont'd)

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.



statement accompanying notice of annual general meeting

(Pursuant to paragraph 8.28(2) of the BMSB Listing Requirements)

1. Directors who are standing for re-election

- Tan Sri Datuk Chai Kin Kong
- Mr Lee Gee Huy @ Lee Kong Fee, JP
- Mr Boey Tak Kong

2. Details of attendance of Directors at Board Meetings

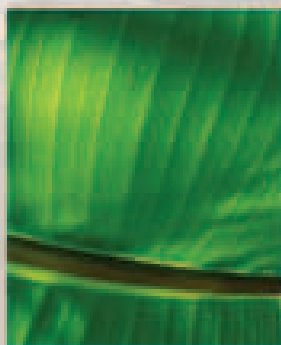
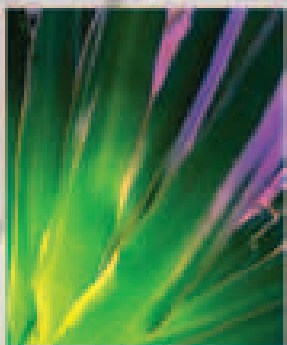
The details are set out on page 16 of the Annual Report.

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

Conference Room, 2nd Floor, Wisma EMC
972 Jalan Baru, 13700 Prai, Penang.
On Friday, 25 June 2004 at 10.00 a.m.

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

The profile and shareholdings of the Directors who are standing for re-election are set out in pages 10 to 11 and page 76 respectively 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	TAN SRI 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, JP	Appointed 23/02/2001
	Ir. ZAINURIN BIN KARMAN	Appointed 23/02/2001
	BOEY TAK KONG	Appointed 13/12/2001
NON-EXECUTIVE DIRECTOR	DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	Appointed 23/02/2001

AUDIT COMMITTEE

CHAIRMAN	LEE GEE HUY@LEE KONG FEE, JP
MEMBERS	DATO' CHUA TIONG MOON
	Ir. ZAINURIN BIN KARMAN
	BOEY TAK KONG

NOMINATION COMMITTEE

CHAIRMAN	LEE GEE HUY@LEE KONG FEE, JP
MEMBERS	Ir. ZAINURIN BIN KARMAN
	BOEY TAK KONG

REMUNERATION COMMITTEE

CHAIRMAN	DATO' NOORAZMAN BIN ADNAN
MEMBERS	LEE GEE HUY@LEE KONG FEE, JP
	Ir. ZAINURIN BIN KARMAN

COMPANY SECRETARY

MOLLY GUNN CHIT GEOK
(MAICSA 0673097)



corporate information (Cont'd)

REGISTERED OFFICE

WISMA EMC
972, JALAN BARU
13700 PRAI,
PENANG
TEL: 604 - 390 3699 / 398 4878
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
Kuala Lumpur Office
(Chartered Accountants)
LEVEL 16, TOWER C
MEGAN AVENUE II
12 JALAN YAP KWAN SENG
50450 KUALA LUMPUR

PRINCIPAL BANKERS

MALAYAN BANKING BERHAD
HONG LEONG BANK BERHAD

STOCK EXCHANGE LISTING

MAIN BOARD OF BURSA MALAYSIA
• STOCK NAME: SANBUMI
• STOCK CODE: 9113



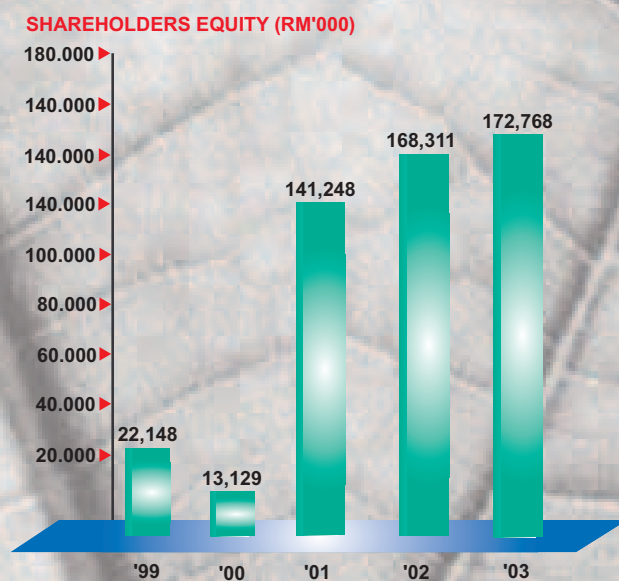
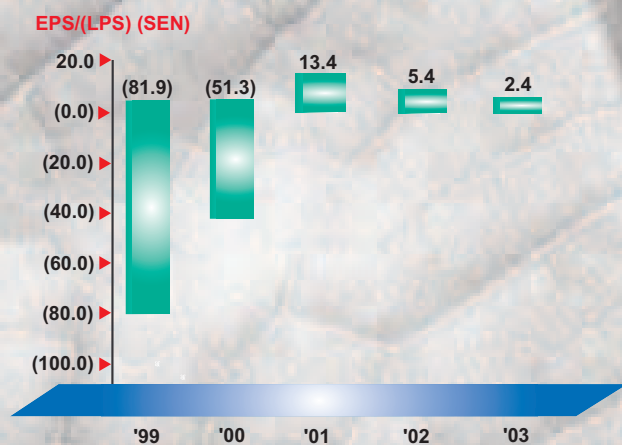
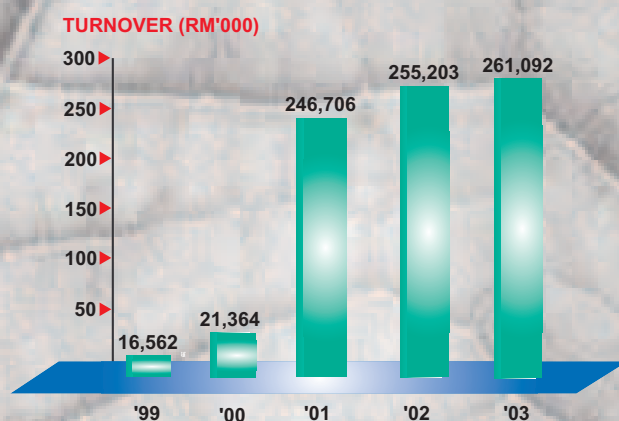
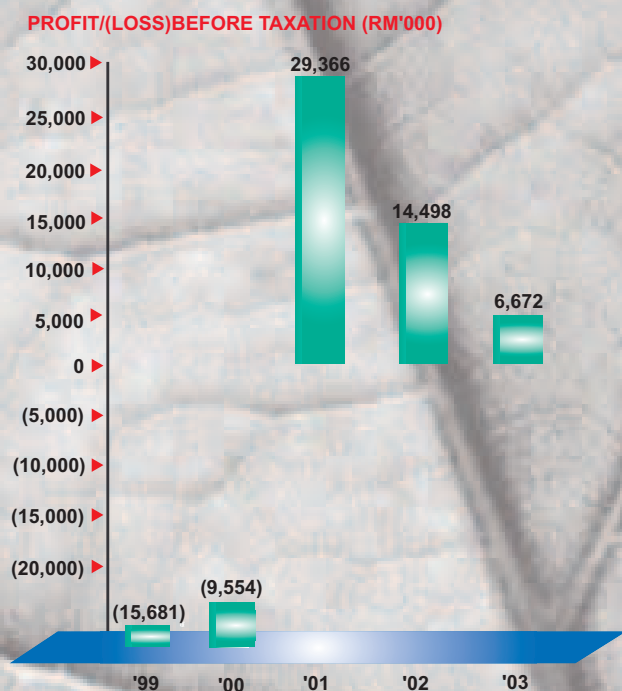


corporate structure



financial highlights

The Group's five years financial highlights





profile of the board of directors

Dato' Noorazman bin Adnan**Chairman • Age: 47 • Nationality: Malaysian**

Dato' Noorazman bin Adnan is a businessman. He holds a Diploma in Police Science and was formerly a Police Officer. He is presently a Director in several private limited companies under the Sanbumi Group as well as 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 substantial shareholders of the Company and has no record of convictions for offences within the past ten years.

Dato' Chua Tiong Moon**Managing Director • Age: 45 • Nationality: Malaysian**

Dato' Chua Tiong Moon is a businessman and has been involved in the timber industry for over 26 years and has extensive experience in timber extraction, sawmilling and plywood operations. Besides being involved in the timber industry, he has also vast experience being primarily responsible for the operations and financial management of property development, manufacturing as well as quarry business related companies. He has been the Chairman of Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd. since 1995 as well as Director in several private limited companies under the Sanbumi Group. He also sits on the Board of several other private limited companies.

Dato' Chua Tiong Moon has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the board of Cepatwawasan Group Berhad.

Tan Sri Datuk Chai Kin Kong**Executive Director • Age: 45 • Nationality: Malaysian**

Tan Sri Datuk Chai Kin Kong is a businessman and has been involved in the timber industry for over 31 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 subsequently expanded his business into Sabah. He has been the Managing Director primarily responsible for the operations and financial management of Akalaju Sdn. Bhd. and Sanbumi Sawmill Sdn. Bhd. since 1994 and 1995 respectively and a Director in several private limited companies under the Sanbumi Group. He also sits on the Board of several other private limited companies.

Tan Sri Datuk Chai Kin Kong has no conflict of interest with the Company and has no record of convictions for offences within the past ten years. He also sits on the board of Cepatwawasan Group Berhad.

Tan Sri 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: 42 • Nationality: Malaysian**

Chai Kim Chong has 24 years experience in the timber industry, working in timber extraction and log trading. He has been the Executive Director of Sanbumi Sawmill Sdn. Bhd. and Akalaju Sdn. Bhd. since 2000 as well as a Director in several private limited companies under the Sanbumi Group. He also sits on the Board of several other private limited companies.

Chai Kim Chong has no conflict of interest with the Company and has no record of convictions for offences within the past ten years. He also sits on the board of Cepatwawasan Group Berhad.

Chai Kim Chong is the brother of Tan Sri 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 (Cont'd)

Lee Gee Huy @ Lee Kong Fee, JP
Director • Age: 56 • Nationality: Malaysian

Lee Gee Huy @ Lee Kong Fee, JP 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 20 years experience practicing as an Advocate & Solicitor.

Lee Gee Huy @ Lee Kong Fee, JP has no conflict of interest with the Company. He does not have any family relationship with any other Directors and/or substantial 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 as the Chairman.

Ir. Zainurin bin Karman
Director • Age: 39 • Nationality: Malaysian

Ir. 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.

Ir. 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 substantial shareholders of the Company and has no record of convictions for offences within the past ten years.

Dato' Rahadian Mahmud bin Mohammad Khalil
Director • Age: 30 • Nationality: Malaysian

Dato' 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. and a Director of several other private limited companies.

Dato' 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 substantial 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 Industries Berhad, North Borneo Corporation Berhad, Kinsteel Berhad, Eden Enterprises (M) Berhad and Cepatawawasan Group Berhad.

Boey Tak Kong
Director • Age: 50 • 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 extensive financial and general management working experience with six public-listed companies in Malaysia and has also 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 substantial shareholders of the Company and has no record of convictions for offences within the past ten years. He also sits on the boards of RB Land Holdings 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 2003.

General Overview

The year 2003 was a none less eventful year as compared to the previous year with war, disease and the hope for a nation entering into a new political era taking the centre stage. The year 2003 started in a positive note with anticipations of recoveries in the regional as well as the global economies following the positive sentiments shown by the US economy at the close of 2002. However this was short-lived when the world economic outlook was once again tested for its resilience by the US-led war against Iraq. The question on the kind of war that has been waged, how long it would last and the repercussions confronting it became the utmost worry to the world nations that initially envisaged a rosy economic growth. The gloomy scenario was further battered by the out-break of the SARS epidemic and the 'Bird-flu' epidemic in the region nearer to home.



chairman's statement (cont'd)

The Malaysian economy was not spared the negative reactions following actions in the global arena. Nevertheless, pre-emptive measures drawn up by the Government helped the nation cushion the external impact and pressure, and sustain domestic economic growth notably with the aid of the growth in the manufacturing and agriculture sectors.

The year 2003 has been a consolidation year for the Group after three years of significant activities in the corporate front. Nevertheless, the Group continued with the rationalisation of its operating activities that included reviewing, assessing, determining the appropriate actions and executing the recommended decisions to minimise or eliminate all non-productive and non-profit generating operations with a view to maximise shareholders value.

Financial Performance Overview

The Malaysian economy started the year on an optimistic note backed by a strong closing for 2002. Corporate earnings generally showed highly favourable improvements signalling strong indications that the nation may be heading towards an economic recovery. This was further supported by reports on improved sentiments in the regional as well as the global economies. Neither the war, diseases nor continuing terror attacks within the region or around the world seemed to deter the domestic economy from performing and finishing better than the previous year.

Though economic factors were favouring a growth potential, the need to provide shareholders with value for their investments remained an uphill task for the Group. The Group's core business of manufacturing and trading of sawn and moulded timber as well as trading in timber logs continued to provide significant contribution and support in achieving the results for the year.

The Group's consolidated financial results for the financial year ended 31 December 2003 continued to be in the black though it registered a decline as compared to the previous year. The Group Profit After Taxation for the financial year ended 31 December 2003 stood at RM4.46 Million.

Operations Review

- Timber related business activities

The war in Iraq, menacing terror attacks within the region and around the world and the out-break of the deadly SARS and 'Bird-flu' diseases that created further uncertainties in the recovering regional economies such as the Japanese and European economies which have been the traditional markets of our timber related business activities, continued to provide negative impact on our export market, far short of our expectations.





chairman's statement (Cont'd)

The timber related business activities recorded an annual turnover from external sales of RM246.63 Million for the year ended 31 December 2003, an increase by approximately 6.6% as compared to the previous year. The increase in turnover was mainly attributable to the increase in the sales of timber logs. Though turnover was relatively favourable, the uncertainties and the adversities in the market conditions mentioned above resulted in the decline in gross profit margin, thus Profit Before Taxation ("PBT"). The PBT declined to approximately RM8.3 Million or approximately 50% lower than the previous year.

• Non-timber related business activities

Year 2003 in overall has not been a favourable year for the non-timber related business activities of the Group. The mobile crane service business which is the single most largest contributing component under the non-timber related business activities only managed to record an annual turnover from external sales of RM10.04 Million or an approximate 36.6% decline as compared to the previous year. This decline was mainly attributable to the completion of several spill-over projects from year 2002 and the decline in the number of new infrastructure related projects available and secured. The fewer new infrastructure projects in anticipation to the nation's leadership transition and the forthcoming general election resulted in the emergence of stiff pricing competitions among suppliers. This was clearly reflective by the losses recorded from this business segment for the financial year ended 31 December 2003.

Corporate Development

The Company has no new corporate proposal announced, issued or pending completion as at the date of this statement.

As part of the Group's continuing rationalisation exercise, principally undertaken to realise all non-revenue or non-profit generating properties, plant and equipment or investments, the Company completed the disposal of a vacant industrial land together with a building erected thereon, situated in Tupai Light Industrial Area, Taiping, Perak.

Outlook

The start of year 2004 seems very promising but remains heavily reliant on external factors. The risks of perennial threat of war, rising terrorist activity, resurgence of epidemic disease's such as SARS and 'Bird-flu' and preponderance of natural disasters are extremely high and could dampen the economic recovery.

As in year 2003, the performance of the Group is expected to continue and depend substantially on the performance of the timber related businesses, which remains upbeat in tandem with the steady recovery of the major regional economies. Nevertheless, the Board will continue to closely monitor and embark on critical assessment of the Group's other operations to ensure that it will be able to provide the continued and adequate support to the core business.

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 2003 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”) has always recognised the importance of adopting good corporate governance. The Board 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 enhance 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 Bursa Malaysia Securities Berhad (“BMSB”) 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 2003.

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 references 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 the primary responsibilities for the management of the financial affairs and 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.

corporate governance statement (Cont'd)

(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 2003, four (4) Board Meetings were held. The attendance record of each Director is as follows: -

Directors' Meeting Held		Feb 03	May 03	Aug 03	Nov 03		
Directors	Position	Attendance				Total	%
Dato' Noorazman bin Adnan	Chairman	•	•	•	•	4/4	100
Dato' Chua Tiong Moon	Managing Director	•	•	•	•	4/4	100
Tan Sri Datuk Chai Kin Kong	Executive Director	•	•	•	•	4/4	100
Chai Kim Chong	Executive Director	•	•	x	•	3/4	75
Dato' Rahadian Mahmud bin Mohammad Khalil	Director	•	•	•	•	4/4	100
Ir. Zainurin Bin Karman	Director	•	•	•	•	4/4	100
Lee Gee Huy@Lee Kong Fee, JP	Director	•	•	•	•	4/4	100
Boey Tak Kong	Director	•	•	•	•	4/4	100

Total number of meetings held

4

(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 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

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

Lee Gee Huy @ Lee Kong Fee, JP - Chairman
 Ir. Zainurin bin Karman - Member
 Boey Tak Kong - Member

The Nomination Committee assists the Board on the following functions:

- (1) identify, nominate and recommend the appointments of directors to the Board and Committees of the Board

corporate governance statement (Cont'd)

- (2) recommends on the re-election of directors due for retirement under the Articles of Association of the Company taking into account the directors' contribution
- (3) reviews annually the independence of and suitability of the existing directors, identifying the mix of skills, experience and other qualities, including core competencies which non-executive directors should bring to the Board

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 2003, one meeting was held on 27 February 2003 which was attended by all members of the Nomination Committee. The Nomination Committee had reviewed the present composition of the Board of Directors and the various committees and is of the opinion that they have 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 every three years but shall be eligible for re-election.

The names of Directors who are standing for re-election at the Thirty-Fifth Annual General Meeting of the Company to be held on 25 June 2004 are contained in the Statement Accompanying Notice of Annual General Meeting.

No new appointment was made for the financial year ended 31 December 2003.

(vi) Directors' Training

All the Directors have attended the Directors' Mandatory Accreditation Programme conducted by the KLSE Training Sdn. Bhd., an affiliate company of Bursa Malaysia Securities Berhad. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge as well as the latest statutory and/or regulatory requirements on a continuous basis in compliance with Practice Note No. 15/2003 of the Listing Requirements on the Continuing Education Programme.

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
Ir. Zainurin bin Karman	- Independent Non-Executive
Lee Gee Huy @ Lee Kong Fee, JP	- 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 the decision in respect of his individual remuneration package.

During the financial year ended 31 December 2003, one meeting was held on 21 November 2003. All the members attended the meeting.

(ii) Remuneration Policy

The Remuneration Committee recommends to the Board for approval the remuneration package of Executive Directors. The remuneration system takes into account individual performance and experience, comparison of the Company's actual performance relative to other companies in the same sector and

corporate governance statement (Cont'd)

additional responsibilities of the Directors. The fees of the Directors are subject to shareholders approval at the Annual General Meeting.

(iii) Details of the Directors' remuneration

The details of the remuneration of the Directors on Group basis for the financial year ended 31 December 2003 are as follows: -

(All figures in RM)	Executive Directors	Non - Executive Directors
Salary	772,200	-
Fees	108,000	180,000
Bonus	-	-
Benefits-in-kind	-	-
Total	880,200	180,000

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, JP, 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 BMSB website at www.bursamalaysia.com.my to obtain the latest information on the Group.

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors 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 BMSB 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 BMSB.

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 BMSB.



corporate governance statement (Cont'd)

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 26 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 27.

(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 2003 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 during the financial year ended 31 December 2003.

b) Share buybacks

The Company has not purchased any of its own shares during the financial year ended 31 December 2003. 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 2003.

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 2003.

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 2003:

- 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 2003.

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 2003 are as follows:

additional compliance information (Cont'd)

Fees paid/payable by:	RM
Company	-
Subsidiary companies	1,725
	<u>1,725</u>

h) Comparison of profit achieved with the profit guarantee

The Company did not issued any profit guarantee during the financial year ended 31 December 2003.

i) Utilisation of proceeds from corporate proposals

There were no corporate proposals or fund raising exercise announced but not completed during the financial year ended 31 December 2003.

j) 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 27 June 2003 up to 30 April 2004, 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") Tan Sri Datuk Chai Kin Kong ("CKK") Chai Kim Chong ("CKC") and Equal Accord Sdn. Bhd. ("EASB")	Purchase of Timber logs from RBM by Sanbumi	44,937
Sanbumi	RBM	CKL, CKK, CKC and EASB	Rental payable to RBM by Sanbumi for office space rented	20
Sanbumi	Totalink Holdings Sdn. Bhd. ("TH")	CKL, Lee Meow Soon ("LMS"), Dato' Chua Tiong Moon ("CTM"), CKK, CKC and Chua Ah Nye ("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	35,587
Barateguh Sdn. Bhd. ("BSB")	RBM	CKL, CKK, CKC and EASB	Purchase of timber logs from RBM by BSB	1,079
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				<u>81,653</u>

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 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

Lee Gee Huy @ Lee Kong Fee, JP
Dato' Chua Tiong Moon
Ir. Zainurin bin Karman
Boey Tak Kong

Chairman (Independent Non-Executive Director)
Member (Managing Director)
Member (Independent Non-Executive Director)
Member (Independent Non-Executive Director)

TERMS OF REFERENCE

1.0 MEMBERSHIP

1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company 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.
 - (iii) fulfils such other requirements as prescribed by BMSB.

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

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

1.4 In the event of any vacancy in the Committee resulting in the non-compliance of the listing requirement of BMSB pertaining to the composition of the Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.

1.5 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.

2.0 MEETINGS

2.1 Frequency

- 2.1.1 Meetings shall be held not less than four times a year.
- 2.1.2 Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believes should be brought to the attention of the Directors or shareholders.

2.2 Quorum

- 2.2.1 To form a quorum the majority of members present must be independent directors.



audit committee report (Cont'd)

2.3 Secretary

2.3.1 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

2.4 Attendance

2.4.1 The Head of Finance, the Internal Auditor and a representative of the external auditors shall normally attend meetings.

2.4.2 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

2.4.3 At least once a year, the Committee shall meet with the external auditors without any executive Board members present.

2.5 Reporting Procedure

2.5.1 The minutes of each meeting shall be circulated to all members of the Audit Committee.

2.5.2 The Audit Committee shall report to the Board on any key issues affecting the Company.

2.6 Meeting Procedure

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.

3.0 RIGHTS

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 information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (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.



audit committee report (Cont'd)

4.0 FUNCTIONS

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

4.1 To review:

- (a) the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) the going concern assumption;
 - (ii) changes in or implementation of major accounting policy changes;
 - (iii) significant and unusual events; and
 - (iv) compliance with Approved Accounting Standards and other legal requirements.
- (b) 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.
- (c) with the external auditors:
 - (i) the audit plan;
 - (ii) his evaluation of the system of internal controls;
 - (iii) his audit report;
 - (iv) his management letter and management's response; and
 - (v) the assistance given by the Company's employees to the external auditors.

4.2 To monitor the management's risk management practices and procedures.

4.3 In respect of the appointment of external auditors:

- (a) to review whether there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;
- (b) to consider the nomination of a person or persons as external auditors and the audit fee; and
- (c) to consider any questions of resignation or dismissal of external auditors.

4.4 In respect of the internal audit function:-

- (a) to review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (b) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (c) to review any appraisal or assessment of the performance of members of the internal audit function;
- (d) to approve any appointment or termination of senior staff members of the internal audit function; and
- (e) to inform itself of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.

4.5 To promptly report such matter to BMSB 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.



audit committee report (Cont'd)

4.6 To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

DETAILS OF ATTENDANCE OF MEMBERS AT AUDIT COMMITTEE MEETINGS

During the financial year ended 31 December 2003, there were four (4) Audit Committee Meetings held. The details of the attendance of each member are as follows:

Audit Committee Meeting Held		Feb 03	May 03	Aug 03	Nov 03		
Committee Members	Position	Attendance				Total	%
Lee Gee Huy @ Lee Kong Fee, JP	Chairman	•	•	•	•	4/4	100
Dato' Chua Tiong Moon	Member	•	•	•	•	4/4	100
Ir. Zainurin bin Karman	Member	•	•	•	•	4/4	100
Boey Tak Kong	Member	•	•	•	•	4/4	100

Total number of meetings held:

4

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 2003: -

- (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 make recommendations to the Board of Directors for approval;
- (iii) Reviewed the internal auditors' reports on its findings, recommendations and the corrective actions, if any, taken by the management; and
- (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 actions, 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.



directors' responsibility statement

(Pursuant to paragraph 15.27(a) of the BMSB Listing Requirements)

We, on behalf of the Directors of Sanbumi Holdings Berhad hereby acknowledge that the preparation of the annual financial statements of the Group and of the 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 BMSB Listing Requirements)

1. Introduction

Pursuant to Paragraph 15.27(b) of the Listing Requirements of the Bursa Malaysia Securities Berhad, the Board is pleased to provide the following Statement of 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 can only be designed to manage rather than eliminate the risk of failure to achieve business objectives. This system, by its nature, can only provide reasonable but 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 of 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 units 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.



statement on internal control (Cont'd)
(Pursuant to paragraph 15.27(b) of the BMSB Listing Requirements)

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.

Effectiveness of internal control

5. 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.



financial statements

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directors' report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. 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.

RESULTS	GROUP RM	COMPANY RM
Profit attributable to shareholders of the Company	4,456,822	448,683

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.

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 and issued and paid-up capital of the Company; and
- (b) 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.

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.

directors' report (cont'd)

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, have 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

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.

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.

DIRECTORS

The Directors in office since the date of the last report are as follows:-

TAN SRI DATUK CHAI KIN KONG
DATO' NOORAZMAN BIN ADNAN
DATO' CHUA TIONG MOON
CHAI KIM CHONG
DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL
IR. ZAINURIN BIN KARMAN
LEE GEE HUY @ LEE KONG FEE, JP
BOEY TAK KONG

directors' report (cont'd)

DIRECTORS (Cont'd)

Pursuant to Article 93 of the Articles of Association of the Company, Tan Sri Datuk Chai Kin Kong, Lee Gee Huy @ Lee Kong Fee, JP and Boey Tak Kong 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 EACH			
	At 1.1.2003	BOUGHT	SOLD	At 31.12.2003
Direct Interests				
TAN SRI DATUK CHAI KIN KONG	2,579,170	178,000	-	2,757,170
DATO' NOORAZMAN BIN ADNAN	461,000	-	-	461,000
DATO' CHUA TIONG MOON	4,762,862	322,000	-	5,084,862
CHAI KIM CHONG	4,500,000	500,000	342,500	4,657,500
DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	3,000,000	-	3,000,000	-
INDIRECT INTERESTS				
TAN SRI DATUK CHAI KIN KONG	62,519,313	2,776,000	7,342,500	57,952,813
DATO' CHUA TIONG MOON	56,519,313	2,276,000	5,500,000	53,295,313
CHAI KIM CHONG	60,598,483	2,454,000	7,000,000	56,052,483

By virtue of their substantial interests in shares in the Company, Tan Sri 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' 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 37 to the financial statements, required to be disclosed under Section 169(8) of the Companies Act, 1965.

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.



directors' report (cont'd)

SIGNIFICANT SUBSEQUENT EVENT

The significant subsequent event of the Company is disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED

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 36 to 75 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 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 23 APRIL 2004**

DATO' NOORAZMAN BIN ADNAN
Director

DATO' CHUA TIONG MOON
Director

statutory declaration

I, Dato' Chua Tiong Moon, 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 36 to 75 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, at Kuala Lumpur in the Federal Territory
on this 23 April 2004

Before me
HARON HASHIM
Commissioner for Oaths
Kuala Lumpur

DATO' CHUA TIONG MOON

report of the auditors to the members of sanbumi holdings berhad

We have audited the financial statements set out on pages 36 to 75. 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 2003 and of the results and the 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 and did not include any comment required to be made under Subsection (3) of Section 174 of the Companies Act, 1965.

Horwath

Firm No: AF 1018
Chartered Accountants

Kuala Lumpur
23 April 2004

Onn Kien Hoe

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

balance sheets at 31 December 2003

		GROUP		COMPANY	
	NOTE	2003 RM	2002 RM	2003 RM	2002 RM
ASSETS					
Property, plant and equipment	6	63,264,416	69,806,218	37,569,977	38,697,682
Investment in subsidiaries	7	-	-	130,301,638	130,301,638
Investment in an associate	8	-	-	-	-
Other investment	9	150,000	150,000	150,000	150,000
		63,414,416	69,956,218	168,021,615	169,149,320
CURRENT ASSETS					
Inventories	10	26,170,312	20,340,680	-	-
Trade receivables	11	37,026,224	30,370,722	132,572	98,721
Other receivables, deposits and prepayments	12	60,446,707	69,816,970	1,777,321	3,480,048
Amount owing by subsidiaries	13	-	-	24,916,962	24,865,887
Amount owing by an associate	14	377	123,078	377	123,078
Tax refundable		436,406	72,024	-	-
Fixed deposits with licensed banks	15	724,878	696,998	-	-
Cash and bank balances		19,600,642	13,984,761	9,323,387	5,717,602
		144,405,546	135,405,233	36,150,619	34,285,336
LESS: CURRENT LIABILITIES					
Trade payables	16	8,859,614	7,058,517	-	-
Other payables and accruals	17	8,653,677	3,575,459	861,121	481,132
Amount owing to directors	18	13,866	-	-	-
Amount owing to subsidiaries	13	-	-	14,206	-
Amount owing to an associate	14	-	96,000	-	96,000
Hire purchase payables	19	237,559	268,735	-	-
Provision for taxation		7,214,868	10,028,355	12,258	21,558
Bankers' acceptances	20	5,775,256	10,848,000	-	-
Bank overdrafts	21	702,175	541,519	-	-
		31,457,015	32,416,585	887,585	598,690
NET CURRENT ASSETS		112,948,531	102,988,648	35,263,034	33,686,646
		176,362,947	172,944,866	203,284,649	202,835,966

balance sheets at 31 December 2003 (cont'd)

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
FINANCED BY:-					
Share capital	22	189,238,348	189,238,348	189,238,348	189,238,348
Retained profits/ (Accumulated losses)	23	61,866,034	57,409,212	(17,384,740)	(17,833,423)
Other reserves	24	31,292,533	31,292,533	29,941,041	29,941,041
Merger deficit	25	(109,628,623)	(109,628,623)	-	-
SHAREHOLDERS' EQUITY		172,768,292	168,311,470	201,794,649	201,345,966
MINORITY INTERESTS		1,289,143	1,840,539	-	-
NON-CURRENT LIABILITIES					
Hire purchase payables	19	34,212	168,857	-	-
Deferred taxation	26	2,271,300	2,624,000	1,490,000	1,490,000
		<u>176,362,947</u>	<u>172,944,866</u>	<u>203,284,649</u>	<u>202,835,966</u>
NET TANGIBLE ASSETS PER SHARE (sen)		<u>0.91</u>	<u>0.89</u>		

income statements for the financial year ended 31 December 2003

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
TURNOVER	27	261,091,967	255,202,967	1,515,200	1,559,036
COST OF SALES		(239,178,903)	(226,340,552)	-	-
GROSS PROFIT		21,913,064	28,862,415	1,515,200	1,559,036
OTHER OPERATING INCOME	28	1,647,933	5,818,617	781,310	596,792
		23,560,997	34,681,032	2,296,510	2,155,828
DISTRIBUTION COSTS		(6,896,420)	(7,081,933)	(34,298)	(51,542)
ADMINISTRATIVE EXPENSES		(8,158,242)	(8,820,769)	(1,570,954)	(1,666,956)
OTHER OPERATING EXPENSES		(1,380,609)	(2,706,096)	(166,431)	(2,172,352)
		(16,435,271)	(18,608,798)	(1,771,683)	(3,890,850)
PROFIT/(LOSS) FROM OPERATIONS		7,125,726	16,072,234	524,827	(1,735,022)
FINANCE COSTS		(454,047)	(1,582,348)	(644)	(279,679)
SHARE OF PROFIT OF ASSOCIATE		-	7,656	-	-
PROFIT/(LOSS) BEFORE TAXATION	29	6,671,679	14,497,542	524,183	(2,014,701)
TAXATION	30	(2,766,253)	(4,541,672)	(75,500)	-
PROFIT/(LOSS) AFTER TAXATION		3,905,426	9,955,870	448,683	(2,014,701)
MINORITY INTERESTS		551,396	(190,409)	-	-
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		4,456,822	9,765,461	448,683	(2,014,701)
EARNINGS PER SHARE (sen) - BASIC	31	2.36	5.44		

statements of changes in equity for the financial year ended 31 December 2003

GROUP	NOTE	NON - DISTRIBUTABLE RESERVES							TOTAL RM
		SHARE CAPITAL RM	SHARE PREMIUM RM	CAPITAL RESERVE RM	REVALUATION RESERVE RM	RESERVE ON CONSOLIDATION RM	MERGER DEFICIT RM	RETAINED PROFITS RM	
Balance at 1.1.2002 (as previously reported)		174,238,348	10,421,208	2,436,626	16,262,780	604,789	(109,628,623)	46,913,406	141,248,534
Prior year adjustment	32	-	-	-	(1,490,000)	-	-	-	(1,490,000)
Balance at 1.1.2002 (as restated)		174,238,348	10,421,208	2,436,626	14,772,780	604,789	(109,628,623)	46,913,406	139,758,534
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/ 1.1.2003		189,238,348	14,787,402	1,582,826	14,717,383	204,922	(109,628,623)	57,409,212	168,311,470
Profit attributable to shareholders		-	-	-	-	-	-	4,456,822	4,456,822
Balance at 31.12.2003		<u>189,238,348</u>	<u>14,787,402</u>	<u>1,582,826</u>	<u>14,717,383</u>	<u>204,922</u>	<u>(109,628,623)</u>	<u>61,866,034</u>	<u>172,768,292</u>

statements of changes in equity for the financial year ended 31 December 2003

COMPANY	NOTE	SHARE CAPITAL RM	Non - Distributable RESERVES		ACCUMULATED LOSSES RM	TOTAL RM
			SHARE PREMIUM RM	OTHER RESERVES RM		
Balance at 1.1.2002 (as previously reported)		174,238,348	10,421,208	16,643,639	(15,818,722)	185,484,473
Prior year adjustment	32	-	-	(1,490,000)	-	(1,490,000)
Balance at 1.1.2002 (as restated)		174,238,348	10,421,208	15,153,639	(15,818,722)	183,994,473
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/ 1.1.2003		189,238,348	14,787,402	15,153,639	(17,833,423)	201,345,966
Profit attributable to shareholders		-	-	-	448,683	448,683
Balance at 31.12.2003		189,238,348	14,787,402	15,153,639	(17,384,740)	201,794,649

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

	2003 RM	2002 RM
Company	(17,384,740)	(17,833,423)
Subsidiaries	79,887,774	75,879,635
Associate	(637,000)	(637,000)
	61,866,034	57,409,212

cash flow statements for the financial year ended 31 December 2003

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		6,671,679	14,497,542	524,183	(2,014,701)
Adjustments for:-					
Allowance for doubtful debts		1,192,119	348,190	40,679	-
Bad debts written off		-	38,841	-	12,910
Depreciation of property, plant and equipment		6,129,307	6,933,578	532,843	555,150
Interest expense		439,071	1,349,458	-	278,762
Plant and equipment written off		22,560	30,828	-	266
Share of profit in associate		-	(7,656)	-	-
Impairment loss of property		-	1,500,000	-	1,500,000
(Gain)/Loss on disposal of property, plant and equipment		(95,273)	203,542	125,752	659,176
Gain on disposal of a subsidiary		-	(474,552)	-	(297,824)
Interest income		(795,473)	(115,533)	(269,296)	(291,089)
Reversal of allowance for doubtful debts		(238,702)	(173,936)	(500,100)	(1,079)
Waiver of interest on borrowings		-	(697,576)	-	-
Operating profit before working capital changes		13,325,288	23,432,726	454,061	401,571
(Increase)/Decrease in inventories		(5,829,632)	3,194,768	-	-
Decrease/(Increase) in trade and other receivables		1,792,815	(15,840,264)	1,596,036	(3,716,252)
Increase/(Decrease) in trade and other payables		6,879,315	(8,457,365)	379,989	(1,323,677)
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD		16,167,786	2,329,865	2,430,086	(4,638,358)

cash flow statements for the financial year ended 31 December 2003 (cont'd)

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES					
BROUGHT FORWARD		16,167,786	2,329,865	2,430,086	(4,638,358)
Income tax paid		(6,296,822)	(12,322,604)	(84,800)	(25,199)
Interest paid		(439,071)	(1,349,458)	-	(278,762)
Interest received		795,473	115,533	269,296	291,089
NET CASH FROM/ (FOR) OPERATING ACTIVITIES		10,227,366	(11,226,664)	2,614,582	(4,651,230)
CASH FLOWS FROM/ (FOR) INVESTING ACTIVITIES					
Purchase of property, plant and equipment	33	(419,292)	(2,519,485)	(10,890)	(351,548)
Proceeds from disposal of property, plant and equipment		904,500	3,682,947	480,000	2,593,250
Proceeds from disposal of a subsidiary		-	999,214	-	1,200,000
Net advances to an associate		(4,770)	(3,723)	(4,770)	(3,723)
NET CASH FROM/ (FOR) INVESTING ACTIVITIES		480,438	2,158,953	464,340	3,437,979
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES					
Net repayment from/ (advances to) subsidiaries		-	-	526,863	(12,043,574)
Repayment of term loans		-	(1,932,264)	-	(1,932,264)
Repayment of hire purchase payables		(165,821)	(3,098,275)	-	-
Proceeds from issuance of shares		-	20,250,000	-	20,250,000
Changes in bankers' acceptances		(5,072,744)	940,708	-	-
Increase/(Decrease) in amount owing to directors		13,866	(193,033)	-	-
Payment of share issue expenses		-	(883,806)	-	(883,806)
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(5,224,699)	15,083,330	526,863	5,390,356
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,483,105	6,015,619	3,605,785	4,177,105
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		14,140,240	8,124,621	5,717,602	1,540,497
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	19,623,345	14,140,240	9,323,387	5,717,602

notes to the financial statements for the financial year ended 31 December 2003

1. CORPORATE INFORMATION

The Company is a public limited liability company, is incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and the principal place of business is located at Wisma EMC, 972, Jalan Baru, 13700 Prai, Penang.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 23 April 2004.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. 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 risk, 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.

(i) *Currency Risk*

The Group is exposed to foreign exchange risk on sales and 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, kept at an acceptable level, 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.

(ii) *Interest Rate Risk*

The Group obtains financing through bank borrowings and hire purchase. Its policy is to obtain the most favourable interest rates available.

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

(iii) *Market Risk*

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

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

3. FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(iv) Credit Risk

The Group'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 does not have any major concentration of credit risk related to any individual customer or counterparty except that 58.0% of other receivables relate to log purchase advances given to a related party and 63.5% of cash deposits are placed with a major financial institution.

The Group 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.

(v) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly to meet its working capital requirements.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities so as to achieve overall cost effectiveness.

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 and the provisions of the Companies Act, 1965.

During the financial year, the Group and the Company adopted the following accounting standards issued by the Malaysian Accounting Standards Board ("MASB") for the first time in the preparation of the financial statements: -

MASB Standard 25 - Income Taxes
MASB Standard 27 - Borrowing Costs
MASB Standard 29 - Employee Benefits

The adoption of the above MASB Standards does not have any material impact on the financial statements of the Group and of the Company other than the new disclosure format as disclosed in Note 30. Arising from the adoption of MASB Standard 25, the accounting policy on taxation as disclosed in Note 5(q) has been amended accordingly.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2003.

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. and its subsidiaries ("Sanbumi Sawmill Group") and Akalaju Sdn. Bhd., which are consolidated using the merger method of accounting. The Sanbumi Sawmill Group adopted the acquisition method of accounting in consolidating the subsidiaries of Sanbumi Sawmill Sdn. Bhd.

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) *Basis of Consolidation (Cont'd)*

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 are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded as the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. 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 Standard 21 – Business Combinations. This standard is effective for accounting period commencing 1 July 2001. As allowed by MASB Standard 21, the provisions of MASB Standard 21 are applied on a prospective basis, and no retrospective changes have been made in respect of business combinations that have been effected prior to the date of MASB Standard 21 becoming effective.

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) *Financial Instruments*

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

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

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

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(c) *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.

(d) *Associate*

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 associate is included in the consolidated income statement and the Group's interest in the associate is stated at cost less allowance for diminution in value plus the Group's share of post-acquisition reserves of the associate.

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Associate (Cont'd)

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 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.

(e) 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.

(f) 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 60 years to 99 years. Other property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any.

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.

(g) Impairment of Assets

The carrying values of assets, other than those to which MASB Standard 23 - Impairment of Assets does not apply, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of 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 it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in the recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to the revaluation surplus.

(h) Assets Under Hire Purchase

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5(f) above. Each hire purchase payment is allocated between the liability and finance charges

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) *Assets Under Hire Purchase (Cont'd)*

so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

(i) *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 purchase cost and 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.

(j) *Receivables*

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified and an allowance is made for doubtful debts when there is objective evidence that all the debts due will not be collectible in accordance with the terms of receivables.

(k) *Payables*

Payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services rendered.

(l) *Interest-bearing Borrowings*

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(m) *Equity Instruments*

Ordinary shares are classified as equity.

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) *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.

(o) *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 converted at the rates ruling as of that date. All exchange differences are taken to the income statement.

(p) *Employee Benefits*

(i) *Short-term Benefits*

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) *Defined Contribution Plans*

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liabilities in respect of the defined contribution plans.

(q) *Income Tax*

Income tax comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

During the financial year, the accounting policy for deferred taxation has been changed to comply with MASB Standard 25 - Income Taxes. Deferred taxation is now provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) *Income Tax (Cont'd)*

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Prior to the adoption of MASB Standard 25, which took effect on 1 July 2002, deferred taxation was provided for using the liability method on all material timing differences except where no liability was expected to arise in the foreseeable future. Deferred tax benefit was only recognised when there was reasonable expectation of realisation in the foreseeable future.

The change in accounting policy with respect to the treatment of deferred taxation has resulted in a prior year adjustment as disclosed in Note 32 to the financial statements.

(r) *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.

(s) *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 recognised that are recoverable.

(iii) *Rental and Interest Income*

Rental and interest income are recognised on an accrual basis.

(iv) *Dividend Income*

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

(v) *Management Fee*

Management fee is recognised on an accrual basis.

(t) *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

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) *Segmental Information (cont'd)*

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 arm's length transactions. These transfers are eliminated on consolidation.

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

6. PROPERTY, PLANT AND EQUIPMENT

GROUP	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
Net book value								
as at 1.1.2003	36,117,699	12,290,663	7,249,095	9,860,633	2,992,527	1,290,784	4,817	69,806,218
Additions	7,500	-	-	4,483	338,000	69,309	-	419,292
Disposals	-	(605,752)	-	-	(203,475)	-	-	(809,227)
Write-off	-	-	-	-	-	(22,560)	-	(22,560)
Depreciation charge	(288,916)	(1,249,561)	(1,939,843)	(1,862,819)	(545,165)	(240,503)	(2,500)	(6,129,307)
Net book value as at 31.12.2003	<u>35,836,283</u>	<u>10,435,350</u>	<u>5,309,252</u>	<u>8,002,297</u>	<u>2,581,887</u>	<u>1,097,030</u>	<u>2,317</u>	<u>63,264,416</u>
As at 31.12.2003								
At cost	323,612	19,091,792	26,300,824	27,246,736	6,110,752	2,739,439	25,000	81,838,155
At valuation								
- 2000	2,540,000	-	-	-	-	-	-	2,540,000
- 1999	34,575,000	850,000	-	-	-	-	-	35,425,000
Accumulated impairment losses	(300,000)	(1,200,000)	-	-	-	-	-	(1,500,000)
Accumulated depreciation	(1,302,329)	(8,306,442)	(20,991,572)	(19,244,439)	(3,528,865)	(1,642,409)	(22,683)	(55,038,739)
Net book value	<u>35,836,283</u>	<u>10,435,350</u>	<u>5,309,252</u>	<u>8,002,297</u>	<u>2,581,887</u>	<u>1,097,030</u>	<u>2,317</u>	<u>63,264,416</u>
As at 31.12.2002								
At cost	316,112	19,915,892	26,743,297	27,242,253	6,053,752	2,711,683	25,000	83,007,989
At valuation								
- 2000	2,540,000	-	-	-	-	-	-	2,540,000
- 1999	34,575,000	850,000	-	-	-	-	-	35,425,000
Accumulated impairment losses	(300,000)	(1,200,000)	-	-	-	-	-	(1,500,000)
Accumulated depreciation	(1,013,413)	(7,275,229)	(19,494,202)	(17,381,620)	(3,061,225)	(1,420,899)	(20,183)	(49,666,771)
Net book value	<u>36,117,699</u>	<u>12,290,663</u>	<u>7,249,095</u>	<u>9,860,633</u>	<u>2,992,527</u>	<u>1,290,784</u>	<u>4,817</u>	<u>69,806,218</u>
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at								
- 31.12.2003	19,428,282	9,820,720	5,309,252	8,002,297	2,581,887	1,097,030	2,317	46,241,785
- 31.12.2002	<u>19,709,698</u>	<u>11,676,033</u>	<u>7,249,095</u>	<u>9,860,633</u>	<u>2,992,527</u>	<u>1,290,784</u>	<u>4,817</u>	<u>52,783,587</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

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					
1.1.2003	33,577,699	4,506,819	228,952	384,212	38,697,682
Additions	7,500	-	-	3,390	10,890
Disposals	-	(605,752)	-	-	(605,752)
Depreciation charge	(288,916)	(112,329)	(56,070)	(75,528)	(532,843)
Net book value as at 31.12.2003	<u>33,296,283</u>	<u>3,788,738</u>	<u>172,882</u>	<u>312,074</u>	<u>37,569,977</u>
As at 31.12.2003					
At cost	323,612	4,367,170	388,050	979,563	6,058,395
At valuation - 1999	34,575,000	850,000	-	-	35,425,000
Accumulated impairment losses	(300,000)	(1,200,000)	-	-	(1,500,000)
Accumulated depreciation	(1,302,329)	(228,432)	(215,168)	(667,489)	(2,413,418)
Net book value	<u>33,296,283</u>	<u>3,788,738</u>	<u>172,882</u>	<u>312,074</u>	<u>37,569,977</u>
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 impairment losses	(300,000)	(1,200,000)	-	-	(1,500,000)
Accumulated depreciation	(1,013,413)	(334,451)	(159,098)	(591,961)	(2,098,923)
	<u>33,577,699</u>	<u>4,506,819</u>	<u>228,952</u>	<u>384,212</u>	<u>38,697,682</u>
Carrying value, had the assets been carried at cost less accumulated depreciation and impairment losses, at					
- 31.12.2003	15,021,694	3,174,108	172,882	312,074	18,680,758
- 31.12.2002	<u>15,303,110</u>	<u>3,892,189</u>	<u>228,952</u>	<u>384,212</u>	<u>19,808,463</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

6. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The leasehold land and buildings comprise the following:-

	LONG LEASEHOLD LAND AND BUILDINGS RM	SHORT LEASEHOLD LAND AND BUILDINGS RM	TOTAL RM
GROUP			
Net book value as at 1.1.2003	10,860,966	1,429,697	12,290,663
Disposals	-	(605,752)	(605,752)
Depreciation charge	(1,182,256)	(67,305)	(1,249,561)
Net book value as at 31.12.2003	<u>9,678,710</u>	<u>756,640</u>	<u>10,435,350</u>
As at 31.12.2003			
At cost	19,091,792	-	19,091,792
At valuation - 1999	-	850,000	850,000
Accumulated impairment losses	(1,200,000)	-	(1,200,000)
Accumulated depreciation	(8,213,082)	(93,360)	(8,306,442)
Net book value	<u>9,678,710</u>	<u>756,640</u>	<u>10,435,350</u>
As at 31.12.2002			
At cost	19,091,792	824,100	19,915,892
At valuation - 1999	-	850,000	850,000
Accumulated impairment losses	(1,200,000)	-	(1,200,000)
Accumulated depreciation	(7,030,826)	(244,403)	(7,275,229)
Net book value	<u>10,860,966</u>	<u>1,429,697</u>	<u>12,290,663</u>
COMPANY			
Net book value as at 1.1.2003	3,077,122	1,429,697	4,506,819
Disposals	-	(605,752)	(605,752)
Depreciation charge	(45,024)	(67,305)	(112,329)
Net book value as at 31.12.2003	<u>3,032,098</u>	<u>756,640</u>	<u>3,788,738</u>
As at 31.12.2003			
At cost	4,367,170	-	4,367,170
At valuation - 1999	-	850,000	850,000
Accumulated impairment losses	(1,200,000)	-	(1,200,000)
Accumulated depreciation	(135,072)	(93,360)	(228,432)
Net book value	<u>3,032,098</u>	<u>756,640</u>	<u>3,788,738</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

6. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	LONG LEASEHOLD LAND AND BUILDINGS RM	SHORT LEASEHOLD LAND AND BUILDINGS RM	TOTAL RM
As at 31.12.2002			
At cost	4,367,170	824,100	5,191,270
At valuation - 1999	-	850,000	850,000
Accumulated impairment losses	(1,200,000)	-	(1,200,000)
Accumulated depreciation	(90,048)	(244,403)	(334,451)
Net book value	<u>3,077,122</u>	<u>1,429,697</u>	<u>4,506,819</u>

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 revaluation reserve.

Leasehold land and buildings of the Group with a carrying value of RM6,646,612 (2002 - RM7,783,844) are pledged as security for bank borrowings as disclosed in Note 20 to the financial statements.

Included in the net book value of property, plant and equipment of the Group at the balance sheet date are motor vehicles amounting to RM666,602 (2002 - RM1,972,762) acquired under hire purchase terms.

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2003 RM	2002 RM
Unquoted shares		
- at cost	127,046,451	127,046,451
- at valuation	8,479,606	8,479,606
	<u>135,526,057</u>	<u>135,526,057</u>
Allowance for diminution in value	(5,224,419)	(5,224,419)
	<u>130,301,638</u>	<u>130,301,638</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (Cont'd)

The investments 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.

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

NAME OF COMPANY	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2003 %	2002 %	
# Sanbumi Sawmill Sdn. Bhd.	100	100	Sawmillers and timber log traders.
# Akalaju Sdn. Bhd.	100	100	Trading of timber products.
# Sanbumi Wood Processing Sdn. Bhd.*	100	100	Manufacturer of downstream timber products
# Barateguh Sdn. Bhd.*	100	100	Trading of 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.

* Interest held by Sanbumi Sawmill Sdn. Bhd.

** Interest held by EMC Marketing Sdn. Bhd.

Not audited by Messrs. Horwath.

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

8. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Unquoted shares, at valuation	1,274,000	1,274,000	637,000	637,000
Allowance for diminution in value of shares	(637,000)	(637,000)	(637,000)	(637,000)
	637,000	637,000	-	-
Share of post-acquisition accumulated losses	(637,000)	(637,000)	-	-
	-	-	-	-

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

	GROUP	
	2003 RM	2002 RM
Share of net liabilities	(794,261)	(794,261)
Premium arising on acquisition	1,431,261	1,431,261
Allowance for diminution in value	(637,000)	(637,000)
	-	-

Details of the associate, which is incorporated in Malaysia, are as follows:-

NAME OF COMPANY	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2003 %	2002 %	
Ferrotrans Sdn. Bhd.	49	49	Rendering of forwarding and warehouse services and sales of diesel.

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.

9. OTHER INVESTMENT

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Unquoted shares, at cost	150,000	150,000	150,000	150,000

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

10. INVENTORIES

	GROUP	
	2003 RM	2002 RM
At Cost		
Raw materials	1,173,954	1,836,689
Work-in-progress	14,107,123	8,497,602
Finished goods	6,733,955	6,744,835
Consumable stores	595,377	719,542
	22,610,409	17,798,668
At NET REALISABLE VALUE		
Finished goods	3,559,903	2,542,012
	<u>26,170,312</u>	<u>20,340,680</u>

11. TRADE RECEIVABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade receivables	43,814,456	36,417,725	132,572	135,151
Allowance for doubtful debts				
At 1 January	(6,047,003)	(6,251,404)	(36,430)	(43,632)
Allowance for the financial year	(1,163,709)	(348,190)	-	-
Reversal of allowance no longer required	238,702	170,921	100	650
Amount written off	183,778	136,199	36,330	6,552
Disposal of a subsidiary	-	245,471	-	-
At 31 December	(6,788,232)	(6,047,003)	-	(36,430)
	<u>37,026,224</u>	<u>30,370,722</u>	<u>132,572</u>	<u>98,721</u>

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

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Other receivables, deposits and prepayments	69,490,048	79,296,518	1,777,321	3,906,448
Allowance for doubtful debts				
At 1 January	(9,479,548)	(9,498,309)	(426,400)	(426,400)
Reversal of allowance no longer required	-	3,015	-	-
Amount written off	436,207	15,746	426,400	-
At 31 December	(9,043,341)	(9,479,548)	-	(426,400)
	<u>60,446,707</u>	<u>69,816,970</u>	<u>1,777,321</u>	<u>3,480,048</u>

Included in other receivables, deposits and prepayments of the Group are log purchase advances amounting to RM57,387,919 (2002 - RM65,217,381). These represent advances made for future supply of timber logs.

Log purchase advances amounting to RM34,823,033 (2002 - RM47,687,505) were made by a subsidiary to Rintisan Bumi Sdn. Bhd., a company in which a brother of certain directors of the Company has a substantial financial interest. Further details are shown in Note 37 to the financial statements.

13. AMOUNT OWING BY/TO SUBSIDIARIES

	COMPANY	
	2003	2002
	RM	RM
Amount owing by subsidiaries	27,151,671	27,588,327
Allowance for doubtful debts		
At 1 January	(2,722,440)	(2,722,440)
Allowance for the financial year	(12,269)	-
Reversal of allowance no longer required	500,000	-
At 31 December	(2,234,709)	(2,722,440)
	<u>24,916,962</u>	<u>24,865,887</u>
Amount owing to subsidiaries	<u>14,206</u>	<u>-</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

13. AMOUNT OWING BY/TO SUBSIDIARIES (Cont'd)

The amount owing comprises the following:-

	COMPANY	
	2003 RM	2002 RM
Amount owing by subsidiaries		
- Trade	2,488,787	2,412,786
- Non-trade	24,662,884	25,175,541
	<u>27,151,671</u>	<u>27,588,327</u>
Amount owing to subsidiaries		
- Non-trade	<u>14,206</u>	<u>-</u>

The non-trade amount owing by subsidiaries includes an amount of RM3,145,003 (2002 - RM4,794,005) which bears interest at 3% per annum (2002 - 1% to 2% per annum above the bank's base lending rate). The remaining balance is free of interest. The amount owing by subsidiaries 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.

14. AMOUNT OWING BY/TO AN ASSOCIATE

	GROUP/COMPANY	
	2003 RM	2002 RM
Amount owing by an associate	975,227	1,069,518
Allowance for doubtful debts		
At 1 January	(946,440)	(946,869)
Allowance for the financial year	(28,410)	-
Reversal of allowance no longer required	-	429
At 31 December	(974,850)	(946,440)
	<u>377</u>	<u>123,078</u>
Amount owing to an associate	<u>-</u>	<u>96,000</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

14. AMOUNT OWING BY/TO AN ASSOCIATE (Cont'd)

The amount owing comprises the following:-

	GROUP/COMPANY	
	2003	2002
	RM	RM
Amount owing by an associate:-		
- Trade	974,850	977,911
- Non-trade	377	91,607
	<u>975,227</u>	<u>1,069,518</u>
Amount owing to an associate: -		
- Non-trade	-	96,000
	<u>-</u>	<u>96,000</u>

The amount owing is 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.

The effective interest rate of deposits at the balance sheet date was 3.7% (2002 - 4%). The maturity period of the fixed deposits at the balance sheet date was one year.

16. TRADE PAYABLES

Credit terms of trade payables granted to the Group vary from cash terms to 90 days.

17. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals of the Group is an amount of RM4,854,008 (2002 - RM Nil) due to a third party company.

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

18. AMOUNT OWING TO DIRECTORS

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

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

19. HIRE PURCHASE PAYABLES

	GROUP	
	2003	2002
	RM	RM
Minimum hire purchase payments: -		
- not later than one year	247,480	303,781
- later than one year and not later than five years	34,914	163,316
	<u>282,394</u>	<u>467,097</u>
Future finance charges	(10,623)	(29,505)
Present value of hire purchase payables	<u>271,771</u>	<u>437,592</u>
Current:		
- not later than one year	237,559	268,735
Non-current:		
- later than one year and not later than five years	34,212	168,857
	<u>271,771</u>	<u>437,592</u>

The hire purchase payables bore interest at the balance sheet date at rates ranging from 7.1% to 10.0% (2002 - 1.8% to 11.2%) per annum.

20. BANKERS' ACCEPTANCES

The effective interest rates applicable to the bankers' acceptances at the balance sheet date ranged from 2.9% to 3.1% (2002 - 3.0% to 3.2%) per annum.

The bankers' acceptances are secured as follows:-

- (i) by fixed and floating charges over the assets of certain subsidiaries;
- (ii) by the joint and several guarantees of certain Directors and a third party of the subsidiaries; and
- (iii) by the corporate guarantees of the Company and a subsidiary.

21. BANK OVERDRAFTS

The bank overdrafts bear interest at 8.2% (2002 - 8.4%) per annum and are secured in the same manner as the bankers' acceptances as disclosed in Note 20 above.

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

22. SHARE CAPITAL

	NUMBER OF SHARES		COMPANY SHARE CAPITAL	
	2003	2002	2003 RM	2002 RM
AUTHORISED				
Ordinary shares of RM1 each	250,000,000	250,000,000	250,000,000	250,000,000
ISSUED AND FULLY PAID-UP				
Ordinary shares of RM1 each				
At 1 January	189,238,348	174,238,348	189,238,348	174,238,348
Special issue	-	15,000,000	-	15,000,000
At 31 December	189,238,348	189,238,348	189,238,348	189,238,348

23. RETAINED PROFITS/(ACCUMULATED LOSSES)

	PRE-MERGER PROFIT/(LOSS)			
	THE COMPANY AND ITS SUBSIDIARIES ACCOUNTED UNDER ACQUISITION METHOD OF ACCOUNTING	SUBSIDIARIES ACCOUNTED UNDER MERGER ACCOUNTING	POST- MERGER PROFIT	TOTAL
	RM	RM	RM	RM
GROUP				
Balance at 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/ 1.1.2003	(24,879,904)	51,806,955	30,482,161	57,409,212
Current year profit	-	-	4,456,822	4,456,822
Balance at 31.12.2003	(24,879,904)	51,806,955	34,938,983	61,866,034

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

24. OTHER RESERVES

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
SHARE PREMIUM				
At 1 January	14,787,402	10,421,208	14,787,402	10,421,208
Premium arising from special issue	-	5,250,000	-	5,250,000
Share issue expenses	-	(883,806)	-	(883,806)
At 31 December	14,787,402	14,787,402	14,787,402	14,787,402
REVALUATION RESERVE				
At 1 January	16,207,383	16,262,780	16,643,639	16,643,639
Prior year adjustment (Note 32)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)
At 1 January (As restated)	14,717,383	14,772,780	15,153,639	15,153,639
Disposal of a subsidiary	-	(55,397)	-	-
At 31 December	14,717,383	14,717,383	15,153,639	15,153,639
CAPITAL RESERVE				
At 1 January	1,582,826	2,436,626	-	-
Disposal of a subsidiary	-	(853,800)	-	-
At 31 December	1,582,826	1,582,826	-	-
RESERVE ON CONSOLIDATION				
At 1 January	204,922	604,789	-	-
Disposal of a subsidiary	-	(399,867)	-	-
At 31 December	204,922	204,922	-	-
	<u>31,292,533</u>	<u>31,292,533</u>	<u>29,941,041</u>	<u>29,941,041</u>
The revaluation reserve comprises:-				
Surplus on revaluation of properties	14,717,383	14,717,383	14,717,383	14,717,383
Surplus on revaluation of investments	-	-	436,256	436,256
	<u>14,717,383</u>	<u>14,717,383</u>	<u>15,153,639</u>	<u>15,153,639</u>

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

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

25. MERGER DEFICIT

	GROUP	
	2003	2002
	RM	RM
NON-DISTRIBUTABLE		
Arising from the 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 amounting to RM127,628,623 and the nominal value of the shares acquired amounting to RM18,000,000.

26. DEFERRED TAXATION

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
At 1 January	1,134,000	1,563,000	-	-
Prior year adjustments (Note 32)	1,490,000	1,490,000	1,490,000	1,490,000
At 1 January (As restated)	2,624,000	3,053,000	1,490,000	1,490,000
Transfer to income statement (Note 30)	(352,700)	(429,000)	-	-
	<u>2,271,300</u>	<u>2,624,000</u>	<u>1,490,000</u>	<u>1,490,000</u>

The deferred tax liability is attributable to the following: -

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Accelerated capital allowances	781,300	1,134,000	-	-
Revaluation surplus of properties	1,490,000	1,490,000	1,490,000	1,490,000
	<u>2,271,300</u>	<u>2,624,000</u>	<u>1,490,000</u>	<u>1,490,000</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

26. DEFERRED TAXATION (Cont'd)

The potential deferred tax benefits, derived 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 1.1.2002	5,487,200	162,400	5,649,600
Utilised during the financial year	(107,400)	(305,200)	(412,600)
Balance at 31.12.2002/1.1.2003	5,379,800	(142,800)	5,237,000
Derived during the financial year	140,000	32,400	172,400
Utilised during the financial year	(111,000)	-	(111,000)
Balance at 31.12.2003	<u>5,408,800</u>	<u>(110,400)</u>	<u>5,298,400</u>
COMPANY			
Balance at 1.1.2002	1,298,000	431,800	1,729,800
Derived during the financial year	-	12,500	12,500
Utilised during the financial year	(97,900)	-	(97,900)
Balance at 31.12.2002/1.1.2003	1,200,100	444,300	1,644,400
Utilised during the financial year	-	(261,800)	(261,800)
Balance at 31.12.2003	<u>1,200,100</u>	<u>182,500</u>	<u>1,382,600</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

27. TURNOVER

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Sales of timber	246,633,293	231,411,689	-	-
Mobile crane services	10,041,513	15,840,269	-	-
Freight	-	3,630,078	-	-
Trading	3,240,324	3,068,344	-	-
Investments	-	226,022	-	-
Warehousing and other services	410,437	449,929	-	-
Rental income	766,400	576,636	1,290,800	1,310,636
Management fee	-	-	224,400	248,400
	<u>261,091,967</u>	<u>255,202,967</u>	<u>1,515,200</u>	<u>1,559,036</u>

28. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Gain on disposal of property, plant and equipment	241,000	-	-	-
Realised gain on foreign exchange	1,823	3,066	-	-
Gain on disposal of a subsidiary	-	474,552	-	297,824
Interest income	795,473	115,533	269,296	291,089
Reversal of allowance for doubtful debts	238,702	173,936	500,100	1,079
Rental income	118,362	647,047	-	-
Road maintenance contract	-	2,248,810	-	-
Waiver of interest on borrowings	-	697,576	-	-
Others	252,573	1,458,097	11,914	6,800
	<u>1,647,933</u>	<u>5,818,617</u>	<u>781,310</u>	<u>596,792</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

29. PROFIT/(LOSS) BEFORE TAXATION

In addition to Note 28, the profit/(loss) before taxation is arrived at after charging/(crediting):-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Allowance for doubtful debts	1,192,119	348,190	40,679	-
Audit fee				
- for the financial year	113,500	115,500	25,000	20,000
- under/(over)provision in previous financial year	115	(3,100)	-	-
Bad debts written off	-	38,841	-	12,910
Depreciation of property, plant and equipment	6,129,307	6,933,578	532,843	555,150
Directors' fees				
- directors of the Company	288,000	289,839	288,000	289,839
- other directors	-	7,000	-	-
Directors' other emoluments				
- directors of the Company	772,200	772,200	-	-
- other directors	-	122,672	-	-
Impairment loss of leasehold land and buildings	-	1,500,000	-	1,500,000
Interest expense				
- bank overdraft	109,683	691,520	-	195,619
- hire purchase	29,832	218,132	-	-
- others	299,556	439,806	-	83,143
Loss on disposal of property, plant and equipment	145,727	203,542	125,752	659,176
Land lease tenancy	-	60,000	-	-
Plant and equipment written off	22,560	30,828	-	266
Rental of equipment	7,420	16,068	-	-
Rental of premises	46,324	199,530	-	-
Staff costs	8,066,661	8,174,791	197,108	187,265

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

30. TAXATION

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
For the financial year	(2,920,100)	(5,050,600)	(75,500)	-
Deferred taxation (Note 26)	352,700	429,000	-	-
	(2,567,400)	(4,621,600)	(75,500)	-
(Under)/Overprovision in previous financial years	(198,853)	79,928	-	-
	(2,766,253)	(4,541,672)	(75,500)	-

A reconciliation of the income tax expense applicable to the profit before tax at the statutory tax rate to the income tax expense at the effective tax rate of the Group and the Company is as follows:-

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Profit/(Loss) before taxation	6,671,679	14,497,542	524,183	(2,014,701)
Tax at the applicable corporate tax rates				
- 20% on the first RM100,000	62,085	-	-	-
- 28% on the remaining balance	1,925,158	4,059,312	146,800	(564,100)
	1,987,243	4,059,312	146,800	(564,100)
Tax effects of:-				
Non-deductible expenses	546,553	986,476	190,500	802,300
Non-taxable gains	(54,700)	-	-	-
Utilisation of capital allowances brought forward	(274,000)	(242,212)	(274,000)	(2,200)
Utilisation of tax losses brought forward	(111,000)	(335,000)	-	(235,000)
Deferred tax assets not recognised during the financial year	550,513	164,778	12,200	-
Double deduction of expenses	(69,043)	-	-	-
Others	(8,166)	(11,754)	-	(1,000)
Under/(Over)provision in previous financial years	198,853	(79,928)	-	-
Tax for the financial year	2,766,253	4,541,672	75,500	-

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

30. TAXATION (Cont'd)

Subject to agreement with the tax authorities, at the balance sheet date, the unutilised tax losses and unabsorbed capital allowances available to be carried forward for offset against future taxable business income are as follows:-

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Unutilised tax losses	18,220,000	19,419,000	3,191,000	4,286,000
Unabsorbed capital allowances	5,211,000	4,608,000	1,651,000	1,534,000
	<u>23,431,000</u>	<u>24,027,000</u>	<u>4,842,000</u>	<u>5,820,000</u>

31. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group net profit attributable to shareholders of RM4,456,822 (2002 - RM9,765,461) by the number of ordinary shares in issue during the financial year of 189,238,348 (2002 - weighted average number of ordinary shares of 179,621,909).

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

32. PRIOR YEAR ADJUSTMENT

The prior year adjustment is in respect of the change in accounting policy with respect to the treatment of deferred taxation as stated in Note 5(q) to the financial statements. The new accounting policy has no effect on the profit attributable to the shareholders of the Group and of the Company for the financial year ended 31 December 2003.

The effect of this change in accounting policy is a reduction in the revaluation reserve of the Group and of the Company at 31 December 2003 by RM1,490,000. This change of accounting policy has been accounted for retrospectively and the effects on prior years have been taken up as a prior year adjustment in the financial statements. Accordingly, the following comparative figures have been restated to reflect the effects of the change:-

	GROUP		COMPANY	
	REVALUATION RESERVE	DEFERRED TAXATION	REVALUATION RESERVE	DEFERRED TAXATION
	RM	RM	RM	RM
Group				
As previously reported	16,207,383	1,134,000	16,643,639	-
Effect of adopting MASB Standard 25 (Note 26)	(1,490,000)	1,490,000	(1,490,000)	1,490,000
As restated	<u>14,717,383</u>	<u>2,624,000</u>	<u>15,153,639</u>	<u>1,490,000</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

33. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Cost of property, plant and equipment	419,292	3,006,985	10,890	351,548
Amount financed through hire purchase	-	(487,500)	-	-
Cash disbursed for purchase of property, plant and equipment	<u>419,292</u>	<u>2,519,485</u>	<u>10,890</u>	<u>351,548</u>

34. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Fixed deposits with licensed banks	724,878	696,998	-	-
Cash and bank balances	19,600,642	13,984,761	9,323,387	5,717,602
Bank overdrafts	(702,175)	(541,519)	-	-
	<u>19,623,345</u>	<u>14,140,240</u>	<u>9,323,387</u>	<u>5,717,602</u>

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

35. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by the directors of the Group and of the Company during the financial year in bands of RM50,000 are as follows:-

	No. Of DIRECTOR	DIRECTORS' FEE RM	No. Of DIRECTOR	DIRECTORS' OTHER EMOLUMENTS RM	TOTAL RM
GROUP					
2003					
- Below RM50,000	8	288,000	-	-	288,000
- Between RM50,001 and RM300,000	-	-	3	772,200	772,200
2002					
- Below RM50,000	8	289,839	-	-	289,839
- Between RM50,001 and RM300,000	-	-	3	772,200	772,200
COMPANY					
2003					
- Below RM50,000	8	288,000	-	-	288,000
2002					
- Below RM50,000	8	289,839	-	-	289,839

36. SIGNIFICANT RELATED COMPANY TRANSACTIONS

	COMPANY	
	2003 RM	2002 RM
Transactions with subsidiaries:-		
Interest income	101,211	203,816
Rental income	524,400	734,000
Management fee	224,400	248,400
Other sundry income	3,100	3,000

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

37. SIGNIFICANT RELATED PARTY TRANSACTIONS/BALANCES

NAME OF RELATED PARTY	NATURE OF TRANSACTIONS	GROUP			
		VALUE OF TRANSACTIONS		AMOUNT RECEIVABLE	
		2003	2002	2003	2002
		RM	RM	RM	RM
Rintisan Bumi Sdn. Bhd.	Purchase of logs	144,926,054	95,643,850	34,823,033	47,687,505
	Sales of sawn timber	40,814	36,925	-	-
	Office rental payable	24,000	24,000	-	-
	Interest receivable on overdue account	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>-</u>

Chai Kin Loong is a substantial shareholder of Rintisan Bumi Sdn. Bhd. and is the brother of Tan Sri Datuk Chai Kin Kong and Chai Kim Chong. The amount receivable refers to advances for the future supply of logs pursuant to an agreement for the purchase of logs between a subsidiary and Rintisan Bumi Sdn. Bhd.

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.

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

38. SEGMENTAL INFORMATION

	TIMBER		MOBILE CRANES		OTHERS		GROUP	
	2003	2002	2003	2002	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
Total revenue	247,175	231,411	11,285	16,937	5,509	8,336	263,969	256,684
Inter-segment revenue	(542)	-	(1,243)	(1,097)	(1,092)	(384)	(2,877)	(1,481)
Total external revenue	<u>246,633</u>	<u>231,411</u>	<u>10,042</u>	<u>15,840</u>	<u>4,417</u>	<u>7,952</u>	<u>261,092</u>	<u>255,203</u>
RESULTS								
Segment results (external)	9,124	16,633	(1,386)	1,475	(1,407)	(2,628)	6,331	15,480
Finance costs							(454)	(1,582)
Interest income							795	116
Share of results of associate							-	8
Gain on disposal of segment							-	475
Profit from ordinary activities before taxation							6,672	14,497
Taxation							(2,766)	(4,542)
Profit from ordinary activities after taxation							3,906	9,955
Minority interest							551	(190)
Net profit for the period							<u>4,457</u>	<u>9,765</u>
OTHER INFORMATION								
Segment assets	<u>137,360</u>	<u>132,842</u>	<u>16,703</u>	<u>19,461</u>	<u>53,756</u>	<u>53,058</u>	<u>207,819</u>	<u>205,361</u>
Segment liabilities	14,247	7,089	1,887	2,448	1,393	1,193	17,527	10,730
Unallocated liabilities							16,235	24,480
							<u>33,762</u>	<u>35,210</u>
Capital expenditure	402	1,608	7	1,036	10	363	419	3,007
Depreciation and amortisation	3,558	3,742	1,975	2,244	596	948	6,129	6,934
Impairment loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>

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

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

39. SIGNIFICANT SUBSEQUENT EVENT

On 19 March 2004, the Company acquired 473,000 ordinary shares of RM1 each in EMC Cranes (K.L.) Sdn. Bhd., a subsidiary, for a cash consideration of RM1,100,000. Consequent to the acquisition, the effective equity interest of the Company increased from 50.2% to 78.5%.

40. NUMBER OF EMPLOYEES

	GROUP		COMPANY	
	2003	2002	2003	2002
Number of employees at the balance sheet date	<u>507</u>	<u>511</u>	<u>5</u>	<u>6</u>

41. FOREIGN EXCHANGE RATES

The applicable closing exchanges rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the balance sheet date are as follows:-

	2003	2002
	RM	RM
United States Dollar	3.80	3.80
Singapore Dollar	<u>2.30</u>	<u>2.30</u>

42. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities of the Group and of the Company:-

(a) Bank Balances and Other Liquid Funds and Short Term Receivables

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

(b) Investment in Subsidiaries and Other Investments

It is not practicable to estimate the fair value of the Group's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable amount.

(c) Short Term Borrowings and Other Current Liabilities

The carrying amounts approximate their fair values because of the short period to maturity of these instruments.

(d) Hire Purchase Payables

The fair value of hire purchase payables is determined by discounting the relevant cash flow using the applicable interest rates prevailing at the balance sheet date.

notes to the financial statements for the financial year ended 31 December 2003 (cont'd)

43. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current financial year's presentation: -

	GROUP		COMPANY	
	As PREVIOUSLY REPORTED RM	As RESTATED RM	As PREVIOUSLY REPORTED RM	As RESTATED RM
Revaluation reserve *	16,207,383	14,717,383	16,643,639	15,153,639
Deferred liabilities *	<u>1,134,000</u>	<u>2,624,000</u>	<u>-</u>	<u>1,490,000</u>

* - Restated to reflect the prior year adjustment as disclosed in Note 32 to the financial statements.

shareholding statistics as at 5 May 2004

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 5 May 2004 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
Tan Sri Datuk Chai Kin Kong	2,757,170	1.46	57,952,813*	30.62
Lee Meow Soon	-	-	53,295,313#	28.16
Chai Kim Chong	4,657,500	2.46	56,052,483*	29.62
Chai Kin Loong	-	-	60,709,983*	32.08
Chua Ah Nye	-	-	53,295,313#	28.16
Equal Accord Sdn. Bhd.	53,295,313	28.16	-	-

* Deemed interest by virtue of Tan Sri 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 5 May 2004 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
Tan Sri Datuk Chai Kin Kong	2,757,170	1.46	57,952,813*	30.62
Chai Kim Chong	4,657,500	2.46	56,052,483*	29.62
Dato' Rahadian Mahmud bin Mohammad Khalil	-	-	-	-
Ir. Zainurin bin Karman	-	-	-	-
Lee Gee Huy @ Lee Kong Fee, JP	-	-	-	-
Boey Tak Kong	-	-	-	-

* Deemed interest by virtue of Tan Sri 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 5 May 2004 (cont'd)

ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS

	No. of Shares	% Over Total Shares	No. of Share-holders	% Over Total Share-holders
1 – 99	125	-	6	0.07
100 – 1,000	2,082,790	1.10	2,102	24.35
1,001 – 10,000	23,549,104	12.44	5,161	59.78
10,001 – 100,000	36,932,309	19.52	1,224	14.18
100,001 – 9,461,916	82,778,707	43.74	138	1.60
9,461,917 and Above	43,895,313	23.20	2	0.02
	189,238,348	100.00	8,633	100.00

THIRTY LARGEST SHAREHOLDERS

NAME OF HOLDERS	No. of Shares	%	Co. ID
1. OSK NOMINEES (TEMPATAN) SDN BERHAD PLEGDED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD	25,000,000	13.21	6023A
2. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD (DEALER 072-MARGIN)	18,895,313	9.98	284597P
3. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR EQUAL ACCORD SDN BHD (CUSTODY DLR 072-MARGIN)	9,000,000	4.76	284597P
4. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR WANG NAM (DEALER 072)	7,500,000	3.96	284597P
5. HDM NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR NG SAM MOOI (MEMO)	5,452,800	2.88	41117T
6. EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEGDED SECURITIES ACCOUNT FOR CHUA TIONG MOON	5,084,862	2.69	43785M
7. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	4,921,000	2.60	42234H
8. OSK NOMINEES (TEMPATAN) SDN BERHAD PLEGDED SECURITIES ACCOUNT FOR CHAI KIM CHONG	4,657,500	2.46	6023A
9. EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEGDED SECURITIES ACCOUNT FOR CHAI KIN KONG	2,757,170	1.46	43785M
10. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD ALLIANCE FIRST FUND	2,289,000	1.21	17540D
11. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND (029)	1,950,000	1.03	42234H
12. HSBC NOMINEES (ASING) SDN BHD DZ BANK INTL FOR UNI EM FERNOST TREUHANDKONTO, LUXEMBOURG	1,531,500	0.81	4381U
13. BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR A.A. ANTHONY SECURITIES SDN. BHD. (3193 HPZA)	1,485,000	0.78	274740T

shareholding statistics as at 5 May 2004 (cont'd)

THIRTY LARGEST SHAREHOLDERS (Cont'd)

NAME OF HOLDERS	No. of Shares	%	Co. ID
14. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR MAGNUM 4D (SELANGOR) SDN. BHD.	1,219,000	0.64	42234H
15. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI KIEW @ TAI CHOON CHYE (MLK)	1,176,000	0.62	24915H
16. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PHEIM EMERGING COMPANIES BALANCED FUND (4033)	1,145,400	0.61	258854D
17. WONG SAU KUEN	875,700	0.46	720807- 08-5726
18. LIM MEOW FATT	830,000	0.44	7694961
19. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR MAGNUM 4D (SELANGOR) SDN. BHD. (032)	744,000	0.39	42234H
20. HSBC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OO TECK YEON	740,000	0.39	258854D
21. AMSEC NOMINEES (TEMPATAN) SDN BHD AMEQUITIES SDN BHD FOR LAU HOCK KWAI	711,482	0.38	102918T
22. HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KAM LIN (MEMO)	700,000	0.37	41117T
23. HONG LEONG FINANCE BERHAD PLEDGED SECURITIES ACCOUNT FOR ONN KIM TAI	700,000	0.37	7797V
24. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR MAGNUM CORPORATION BHD	690,000	0.36	42234H
25. CHEOK WAI LIN	650,000	0.34	570823- 06-5038
26. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIN HUAN KWANG (471295)	598,000	0.32	24915H
27. HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HONG CHIN HUAT (MEMO)	550,000	0.29	41117T
28. NG KOK YEE @ KAAK YEE	538,000	0.28	350103- 06-5051
29. KUALA LUMPUR CITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ENG KIN HONG (D18)	528,800	0.28	242231K
30. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD SIN HUAN KWANG (T-471154)	524,500	0.28	24915H
TOTAL	103,445,027	54.65	

particulars of properties held

Summary of landed properties owned as at 31 December 2003.

Owner	Location	Tenure	Existing use	Land area Sq.ft.	Approx. age of building	NBV as at 31.12.03 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	26	5,383	23 August 1999
SHB	Lot 1511 Mukim 6 Seberang Prai Tengah	Freehold	Staff quarters, workshop and store	111,601	25	5,223	23 August 1999
SHB	Lot 3424 Mukim 6 Seberang Prai Tengah	Freehold	Bonded warehouse with annexed office	36,678	13	3,533	23 August 1999
SHB	Lot 850 Mukim 6 Seberang Prai Tengah	Freehold	Heavy vehicle parking area	49,048	N.A.	1,397	23 August 1999
SHB	Lot 1186 & 1611 Mukim 6 Seberang Prai Tengah	Freehold	Warehouse with annexed office & container storage yard	317,944	10	11,079	23 August 1999
SHB	Part of Lot 3423 Mukim 6 Seberang Prai Tengah	Freehold	Storage yard	55,626	N.A.	615	23 August 1999
SHB	Lot 1619 Mukim 6 Seberang Prai Tengah	Freehold	Temporary vehicle showroom, workshop and storage yard	43,734	N.A.	3,459	23 August 1999
SHB	Lot 1590, 1595 & 1598 Mukim 17 Sg. Lembu Seberang Prai Tengah	Freehold	Vacant land	441,263	N.A.	1,680	10 December 1999

particulars of properties held (cont'd)

Summary of landed properties owned as at 31 December 2003.(cont'd)

Owner	Location	Tenure	Existing use	Land area Sq.ft.	Approx. age of building	NBV as at 31.12.03 RM'000	Last revaluation date
SHB	Lot 739 Section 16 Georgetown, Daerah Timur-laut Pulau Pinang	Freehold	2 storey shophouse	2,292	> 50	928	10 December 1999
EMC Cranes Sdn. Bhd.	Lot 451 Mukim 17 Sg Lembu Seberang Prai Tengah	Freehold	Vacant land	795,231	N.A.	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 - 34 years remaining	2 storey office with annexed workshop	34,000	27	757	31 December 1999
SHB	Plot 8 to 13 Kamunting Raya Industrial Estate, Mukim Asam Kumbang Daerah Larut & Matang, Perak	Leasehold – expiring on 07/12/2097 - 94 years remaining	Part-completed 2 story office with annexed factory/ workshop	262,952	N.A.	3,032	17 January 2000 (effective date of acquisition)
Sanbumi Sawmill Sdn. Bhd.	CL105472688 District of Kalabakan, Tawau, Sabah	Leasehold – expiring on 31/12/2052 - 49 years remaining	Factory building, staff quarters, workshop, store and office	1,742,527	5-13	6,098	24 May 2000
Akalaju Sdn. Bhd.	CL095330251 Sg. Milian Tangod, District of Kinabatangan, Sabah	Leasehold – expiring on 31/12/2096 - 93 years remaining	Factory building, staff quarters, workshop, store and office	2,610,191	9-10	549	29 May 2000

FORM OF PROXY



SANBUMI HOLDINGS BERHAD
(8386 P)

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-Fifth Annual General Meeting of the Company to be held at Conference Room, Second Floor, Wisma EMC, 972, Jalan Baru, 13700 Prai, Penang on **Friday, 25 June 2004 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 Directors' fees		
	Re-election of Directors:		
Resolution 3	Tan Sri Datuk Chai Kin Kong		
Resolution 4	Mr Lee Gee Huy @ Lee Kong Fee, JP		
Resolution 5	Mr Boey Tak Kong		
Resolution 6	Re-appointment of Messrs Horwath as Auditors and authorising the Directors to determine their remuneration		
Resolution 7	Authority to issue shares		
Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

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 2004.

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.



Please fold here to seal



The Secretary
SANBUMI HOLDINGS BERHAD
(Company No. 8386-P)
Wisma EMC
972 Jalan Baru
13700 Prai
Penang

Please fold here to seal

KK: 6th Floor, Indahsabah Building,
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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)

Reg Off:

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