

## FINANCIAL STATEMENTS

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## DIRECTORS' REPORT for the year ended 31 December 2003

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

### Principal activities

The principal activities of the Company are investment holding, property investment and the provision of management services to companies within the Group. The principal activities of the subsidiaries are stated in Note 2(c) to the financial statements.

Subsidiaries acquired during the year and their principal activities have been disclosed in Notes 35 and 2(c) to the financial statements, respectively.

There has been no significant change in the nature of these activities during the financial year.

### Results

	Group RM'000	Company RM'000
<b>Profit before tax and exceptional items</b>	<b>45,457</b>	<b>16,184</b>
<b>Exceptional items</b>	<b>(22,727)</b>	<b>(537)</b>
<b>Profit before tax</b>	<b>22,730</b>	<b>15,647</b>
<b>Taxation</b>	<b>(15,283)</b>	<b>(4,897)</b>
<b>Profit after tax</b>	<b>7,447</b>	<b>10,750</b>
<b>Minority interest</b>	<b>(1,640)</b>	<b>-</b>
<b>Net profit attributable to shareholders</b>	<b>5,807</b>	<b>10,750</b>

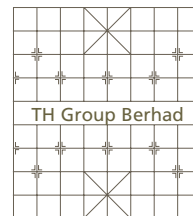
### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

### Dividends

Since the end of the previous financial year, the Company paid a final dividend of 2% less tax amounting to RM5,128,646 on 7 August 2003 in respect of the financial year ended 31 December 2002.

The final dividend recommended by the Directors in respect of the financial year ended 31 December 2003 is 3% less tax amounting to RM7,695,367.



## DIRECTORS' REPORT for the year ended 31 December 2003

### Directors of the Company

Directors who served since the date of the last report are:

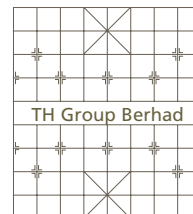
Lei Lin Thai  
 Wong Ah Kow  
 Tam Kam Too  
 Abu Bakar bin Abdul Karim (appointed on 17.7.2003)  
 Michael Ting Sii Ching (appointed on 27.6.2003)  
 Tunku Ahmad Burhanuddin bin Tunku Datuk Seri Adnan (appointed on 18.7.2003)  
 Rohana Tan Sri Mahmood (appointed on 18.9.2003)  
 Y.A. Bhg Tun Abdul Ghafar bin Baba (resigned on 19.6.2003)  
 Yahya bin Abbas (resigned on 1.5.2003)

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			At 31.12.2003
	At 1.1.2003	Bought	Sold	
<b><i>In the Company</i></b>				
<b>Direct interest</b>				
Lei Lin Thai	90,147,804	–	(1,000,000)	<b>89,147,804</b>
Wong Ah Kow	24,640,386	–	(1,000,000)	<b>23,640,386</b>
Tam Kam Too	13,769,607	–	(1,000,000)	<b>12,769,607</b>
<b>Indirect interest</b>				
By virtue of shares held by Linta Holdings Sdn. Bhd.:				
Lei Lin Thai	2,932,785	–	–	<b>2,932,785</b>
By virtue of shares held by See Chuan Holdings Sdn. Bhd.:				
Wong Ah Kow	977,595	–	–	<b>977,595</b>

## DIRECTORS' REPORT for the year ended 31 December 2003

	Number of ordinary shares of RM1 each			At 31.12.2003
	At 1.1.2003	Bought	Sold	
<b><i>In the Company</i></b>				
<b>Indirect interest</b>				
By virtue of shares held by Kam Joo Holdings Sdn. Bhd.:				
Tam Kam Too	593,074	–	–	<b>593,074</b>
By virtue of shares held by Tung Hup Holdings Sdn. Bhd.:				
Lei Lin Thai )				
Wong Ah Kow )	71,104,457	–	–	<b>71,104,457</b>
<b><i>In the subsidiaries</i></b>				
<b>Indirect interest</b>				
By virtue of shares held by THG Construction Sdn. Bhd.:				
Sunshine Paradigm Sdn. Bhd.				
Lei Lin Thai )				
Wong Ah Kow )	700,000	–	–	<b>700,000</b>
Tam Kam Too )				
By virtue of shares held by Besatim Sdn. Bhd.:				
Tung Hup Kelapa Sawit Sdn. Bhd.				
Lei Lin Thai )				
Wong Ah Kow )	3,000,000	–	–	<b>3,000,000</b>
Tam Kam Too )				
By virtue of shares held by Besatim Sdn. Bhd.:				
Kaling Sdn. Bhd.				
Lei Lin Thai )				
Wong Ah Kow )	25,000	–	–	<b>25,000</b>
Tam Kam Too )				



## DIRECTORS' REPORT for the year ended 31 December 2003

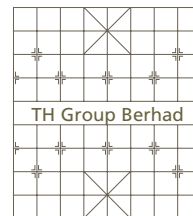
		Number of ordinary shares of RM1 each			
		At		At	
		1.1.2003	Bought	Sold	31.12.2003
<b>In the subsidiaries</b>					
<b>Indirect interest</b>					
By virtue of shares held by the Company:					
Technology Asia Ventures Sdn. Bhd.					
Lei Lin Thai	)				
Wong Ah Kow	)	1,400,028	–	–	<b>1,400,028</b>
Tam Kam Too	)				
By virtue of shares held by iTech Worldwide Sdn. Bhd.:					
THG E-Net Solutions Sdn. Bhd.					
Lei Lin Thai	)				
Wong Ah Kow	)	730,653	–	–	<b>730,653</b>
Tam Kam Too	)				

		Number of Redeemable Cumulative Preference Shares of RM1 each			
		At		At	
		1.1.2003	Bought	Sold	31.12.2003
<b>In the subsidiaries</b>					
<b>Indirect interest</b>					
By virtue of shares held by the Company:					
Technology Asia Ventures Sdn. Bhd.					
Lei Lin Thai	)				
Wong Ah Kow	)	19,435,288	–	–	<b>19,435,288</b>
Tam Kam Too	)				

## DIRECTORS' REPORT for the year ended 31 December 2003

	Option price	Number of options over ordinary shares of RM1 each			At 31.12.2003
		At 1.1.2003	Granted	Exercised	
<b>TH Group Berhad</b>					
Lei Lin Thai	RM2.67	500,000	–	–	<b>500,000</b>
	RM1.08	750,000	–	–	<b>750,000</b>
Wong Ah Kow	RM2.67	500,000	–	–	<b>500,000</b>
	RM1.08	750,000	–	–	<b>750,000</b>
		Number of warrants			At 31.12.2003
		At 1.1.2003	Subscribed/ Bought	Sold	
<b>TH Group Berhad</b>					
<b>Direct interest</b>					
Lei Lin Thai		49,156,000	–	–	<b>49,156,000</b>
Wong Ah Kow		7,232,000	–	(1,596,600)	<b>5,635,400</b>
Tam Kam Too		1,001,000	–	–	<b>1,001,000</b>
<b>Indirect interest</b>					
By virtue of shares held by Linta Holdings Sdn. Bhd.:					
Lei Lin Thai		1,174,000	–	–	<b>1,174,000</b>
By virtue of shares held by See Chuan Holdings Sdn. Bhd.:					
Wong Ah Kow		392,000	–	–	<b>392,000</b>
By virtue of shares held by Kam Joo Holdings Sdn. Bhd.:					
Tam Kam Too		238,000	–	–	<b>238,000</b>
By virtue of shares held by Tung Hup Holdings Sdn. Bhd.:					
Lei Lin Thai	)	22,000,000	–	–	<b>22,000,000</b>
Wong Ah Kow	)				

None of the other Directors holding office at 31 December 2003 had any interest in the shares of the Company and of its related corporations during the financial year.



## DIRECTORS' REPORT for the year ended 31 December 2003

### Directors' benefits

Since the end of the previous financial year, no Director has received nor become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company and of the related corporations or the fixed salary of a full time employee of the Company or of related corporations) 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, other than those as disclosed in Note 32 to the financial statements.

As disclosed in Note 32 to the financial statements, the Group has significant related party transactions with companies in which certain Directors of the Company are also Directors or in which they have substantial financial interests. These transactions are entered into in the ordinary course of business based on terms and conditions mutually agreed between the relevant parties.

Certain Directors of the Company namely Lei Lin Thai, Wong Ah Kow and Tam Kam Too are deemed to have benefited from these transactions by virtue of them being Directors or having substantial financial interests in the companies as mentioned in the preceding paragraph.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the warrants held and the options granted pursuant to Employees' Share Option Scheme.

### Share capital

During the year the Company issued the following ordinary shares of RM1 each for cash pursuant to exercise of employee share options.

Month	Number of ordinary shares issued	Issue price RM	Total proceeds RM
July 2003	19,000	1.00	<b>19,000</b>
November 2003	57,000	1.08	<b>61,560</b>
	30,000	1.00	<b>30,000</b>
December 2003	5,000	1.00	<b>5,000</b>
	111,000		<b>115,560</b>

There were no other changes in the issued and paid-up capital of the Company during the financial year.

## DIRECTORS' REPORT for the year ended 31 December 2003

### Options granted over unissued shares

No options were granted to any person to take up unissued shares or debentures of the Company during the financial year apart from the warrants issued and options granted pursuant to the Employees' Share Option Scheme.

### Warrants

The warrants are in registered form and constituted by a deed poll and entitle the registered holders to subscribe for one (1) new ordinary share of RM1.00 in the Company at a price of RM1.25 per ordinary share for every warrant held subject to adjustments in accordance with the deed poll. The warrants can be exercised at any time from the date of issue and they shall expire on 31 January 2007. At the end of the financial year, 142,462,363 warrants remained unexercised.

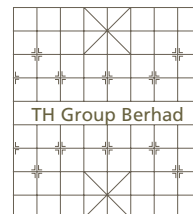
### Employees' Share Option Scheme

The Company's Employees' Share Option Scheme (ESOS) for eligible employees and executive Directors of the Company and its subsidiaries was approved by the shareholders at the Extraordinary General Meeting held on 23 January 1999. The ESOS became effective on 4 March 1999 when the last of the requisite approvals was obtained and is valid for a period of five (5) years expiring 3 March 2004 unless extended for a further five (5) years with the approval of the shareholders of the Company and the relevant regulatory authorities.

The shareholders of the Company had approved certain revisions to the By-laws of the ESOS at the Extraordinary General Meeting held on 31 January 2002 to reflect the provisions of the new guidelines on ESOS issued on 10 May 2001 by the Securities Commission, as well as to render consistency throughout.

The main features of the ESOS are:

- a) Not more than ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at the point of the offer shall be offered under the scheme during the existence of the scheme.
- b) The option price for each new share shall be the higher of the weighted average market quotation of the shares of the Company as shown in the daily official list issued by the Malaysian Securities Exchange Berhad for the five (5) market days immediately preceding the date of offer subject to a discount of not more than ten per cent (10%) thereon or the par value of the share of the Company.
- c) The number of years that eligible employees of the Group and full time executive Directors of the Company and its subsidiaries must serve in order to participate in the ESOS ranges from 0-5 years as provided for in the By-laws.
- d) Not more than fifty per centum (50%) of the shares available under the scheme should be allocated, in aggregate, to executive Directors and senior management and not more than ten per centum (10%) of the shares available at the point in time when an offer is made should be allocated to any individual eligible employee.
- e) Subject to the approval of the relevant authorities, the Company may establish a new ESOS after the expiry of the current scheme if the current scheme is not renewed. Where the current scheme has been renewed, a new scheme is allowed upon expiry of the renewed current scheme.
- f) The Company may at any time terminate the scheme provided that it has obtained the approval of the Securities Commission, the consent of its shareholders at a general meeting and all the grantees.



## DIRECTORS' REPORT for the year ended 31 December 2003

- g) The new shares to be allotted and issued upon any exercise of the options will upon such allotment and issuance, rank pari passu in all respects with the then issued and fully paid-up shares except that the shares so issued will not rank for any dividends, rights, allotments or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) of which is prior to the date of allotment of the new shares and will be subject to all the provisions of the Articles relating to transfer, transmission and otherwise of the shares.
- h) The option is personal to the grantee and is non-assignable.

The movements in options to take up unissued new ordinary shares of RM1 each during the year were as follows:

Option price	Date of grant	Number of options over ordinary shares of RM1 each				At
		1.1.2003	Granted	Exercised	Lapsed	31.12.2003
RM1.82 per share	5.4.1999	3,031,000	–	–	(267,000)	<b>2,764,000</b>
RM1.64 per share	20.8.1999	226,000	–	–	(19,000)	<b>207,000</b>
RM2.67 per share	21.8.2000	2,376,000	–	–	(110,000)	<b>2,266,000</b>
RM1.51 per share	17.8.2001	1,106,000	–	–	(184,000)	<b>922,000</b>
RM1.19 per share	4.6.2002	1,230,000	–	–	(154,000)	<b>1,076,000</b>
RM1.08 per share	4.6.2002	7,245,000	–	(57,000)	(614,000)	<b>6,574,000</b>
RM1.00 per share	28.9.2002	771,000	–	(19,000)	(43,000)	<b>709,000</b>
RM1.00 per share	11.4.2003	–	748,000	(35,000)	(130,000)	<b>583,000</b>
		15,985,000	748,000	(111,000)	(1,521,000)	<b>15,101,000</b>

### Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- all known bad debts have been written off and adequate provision made for doubtful debts, and
- all current assets have been stated at the lower of cost and net realisable value.

As at the date of this report, the Directors are not aware of any circumstances:

- that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- that would render the values attributed to the current assets in the Group and in the Company financial statements misleading, or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company as misleading.

## DIRECTORS' REPORT for the year ended 31 December 2003

As at the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year and which secures the liabilities of any other person; or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 as and when they fall due.

In the opinion of the Directors, except for the exceptional items as disclosed in the Income Statement, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### **Auditors**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:



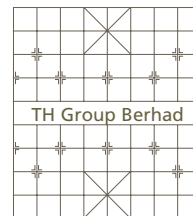
**Lei Lin Thai**



**Wong Ah Kow**

Kuala Lumpur,

Date: 2 March 2004



## STATEMENT BY DIRECTORS pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 80 to 127 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to be 'Lei Lin Thai'.

**Lei Lin Thai**

A handwritten signature in black ink, appearing to be 'Wong Ah Kow'.

**Wong Ah Kow**

Kuala Lumpur,

Date: 2 March 2004

# STATUTORY DECLARATION pursuant to Section 169(16) of the Companies Act, 1965

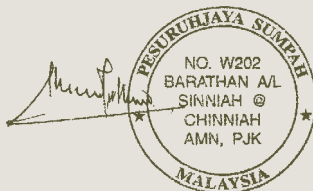
I, **Yew Hong Aun**, the officer primarily responsible for the financial management of TH Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 80 to 127, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 2 March 2004

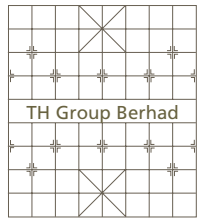


Yew Hong Aun

Before me:



Tingkat 10 Wisma UGA Damansara  
50, Jalan Dangan,  
Bukit Damansara,  
50490 Kuala Lumpur



## REPORT OF THE AUDITORS to the members of TH Group Berhad

We have audited the financial statements set out on pages 80 to 127. 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 all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes 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 the results of their operations and cash flows for the 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 the subsidiaries for which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 2(c) to the financial statements and we have considered their financial statements and the auditors' reports thereon.

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 made under Section 174(3) of the Act.

**KPMG**

Firm Number: AF 0758

Chartered Accountants

**Chen Foo Siong**

Partner

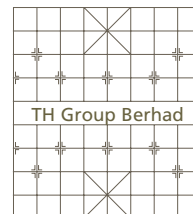
Approval Number: 1547/11/04(J/PH)

Kuala Lumpur,

Date: 2 March 2004

## BALANCE SHEETS as at 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Property, plant and equipment</b>	3	<b>306,030</b>	314,658	<b>19,551</b>	19,815
<b>Investments in subsidiaries</b>	4	<b>–</b>	–	<b>434,777</b>	412,193
<b>Investment in an associate</b>	5	<b>793</b>	549	<b>–</b>	–
<b>Other investments</b>	6	<b>50,063</b>	49,759	<b>2,317</b>	2,269
<b>Property held for development</b>	7	<b>5,043</b>	5,030	<b>–</b>	–
<b>Intangible assets</b>	8	<b>1,037</b>	497	<b>–</b>	–
<b>Deferred tax assets</b>	18	<b>796</b>	1,610	<b>–</b>	–
<b>Trade and term loan receivables</b>	9	<b>17,692</b>	25,322	<b>–</b>	–
<b>Deposits with licensed financial institutions</b>	10	<b>26,921</b>	46,211	<b>19,166</b>	43,221
		<b>408,375</b>	443,636	<b>475,811</b>	477,498
<b>Current assets</b>					
Inventories	11	<b>5,627</b>	6,169	<b>–</b>	–
Trade and other receivables	9	<b>141,229</b>	68,000	<b>64,442</b>	55,319
Tax recoverable		<b>10,943</b>	8,698	<b>6,387</b>	4,284
Deposits with licensed financial institutions	10	<b>45,026</b>	37,477	<b>15,608</b>	16,272
Cash and bank balances	12	<b>12,738</b>	7,244	<b>787</b>	234
		<b>215,563</b>	127,588	<b>87,224</b>	76,109
<b>Current liabilities</b>					
Trade and other payables	13	<b>46,995</b>	26,750	<b>24,010</b>	20,319
Bank borrowings	14	<b>36,903</b>	388	<b>8,000</b>	–
Islamic debt securities	19	<b>10,000</b>	–	<b>10,000</b>	–
Provision for taxation		<b>1,953</b>	2,666	<b>–</b>	–
		<b>95,851</b>	29,804	<b>42,010</b>	20,319
<b>Net current assets</b>		<b>119,712</b>	97,784	<b>45,214</b>	55,790
		<b>528,087</b>	541,420	<b>521,025</b>	533,288



## BALANCE SHEETS as at 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Represented by:</b>					
<b>Capital and reserves</b>					
Share capital	15	<b>356,267</b>	356,156	<b>356,267</b>	356,156
Reserves	16	<b>(53,264)</b>	(54,591)	<b>17,758</b>	12,132
<b>Minority shareholders' interests</b>					
	17	<b>303,003</b>	301,565	<b>374,025</b>	368,288
		<b>11,838</b>	8,754	-	-
<b>Long term and deferred liabilities</b>					
Bank borrowings	14	<b>7,000</b>	15,000	<b>7,000</b>	15,000
Deferred tax	18	<b>66,246</b>	66,101	-	-
Islamic debt securities	19	<b>140,000</b>	150,000	<b>140,000</b>	150,000
		<b>213,246</b>	231,101	<b>147,000</b>	165,000
		<b>528,087</b>	541,420	<b>521,025</b>	533,288
<b>Net tangible assets per share (sen)</b>					
	20	<b>84.76</b>	84.53	<b>104.98</b>	103.41

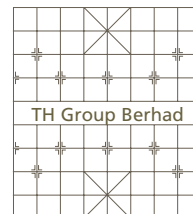
The financial statements were approved and authorised for issue by the Board of Directors on 2 March 2004.

The notes set out on pages 88 to 127 form an integral part of, and should be read in conjunction with, these financial statements.

## INCOME STATEMENTS for the year ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Revenue</b>	21	<b>285,530</b>	162,989	<b>28,222</b>	17,933
Cost of sales	22	<b>(212,964)</b>	(117,227)	<b>(620)</b>	(343)
<b>Gross profit</b>		<b>72,566</b>	45,762	<b>27,602</b>	17,590
Other operating income		<b>6,086</b>	6,595	<b>2,969</b>	2,853
Other operating expenses		<b>(7,220)</b>	(1,402)	<b>-</b>	-
Administration expenses		<b>(19,960)</b>	(13,255)	<b>(8,684)</b>	(6,873)
<b>Operating profit</b>	23	<b>51,472</b>	37,700	<b>21,887</b>	13,570
Exceptional items					
- Allowance for diminution in value of other investments		<b>(22,190)</b>	(13,179)	<b>-</b>	-
- Manpower rationalisation costs		<b>(11)</b>	(1,951)	<b>-</b>	-
- Corporate exercise expenses		<b>(444)</b>	-	<b>(444)</b>	-
- Expenses incurred in connection with the issuance of BAIDS		<b>(93)</b>	(1,164)	<b>(93)</b>	(1,164)
Interest expense	25	<b>(22,738)</b> <b>(6,248)</b>	(16,294) (5,975)	<b>(537)</b> <b>(5,703)</b>	(1,164) (5,830)
<b>Profit before tax and share of associate's results</b>		<b>22,486</b>	15,431	<b>15,647</b>	6,576
Share of profit in an associate		<b>244</b>	376	<b>-</b>	-
<b>Profit before tax</b>		<b>22,730</b>	15,807	<b>15,647</b>	6,576
Taxation	26	<b>(15,283)</b>	(11,081)	<b>(4,897)</b>	(2,453)
<b>Profit after tax</b>		<b>7,447</b>	4,726	<b>10,750</b>	4,123
Minority interests		<b>(1,640)</b>	(981)	<b>-</b>	-
<b>Net profit for the year</b>		<b>5,807</b>	3,745	<b>10,750</b>	4,123
Earnings per ordinary share (sen)					
- Basic	27	<b>1.63</b>	1.05		
- Diluted	27	<b>-</b>	1.03		
Net dividend per ordinary share (sen)	28	<b>2.16</b>	1.44	<b>2.16</b>	1.44

The notes set out on pages 88 to 127 form an integral part of, and should be read in conjunction with, these financial statements.



## STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2003

Group	Note	← Non-distributable →					← Distributable →			Total RM'000
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Reserve on consolidation RM'000	Merger deficit RM'000	Foreign exchange reserve RM'000	Capital reserve RM'000	Retained profits RM'000	
<b>At 1 January 2002</b>		356,156	21,918	153,761	10,214	(294,476)	99	204	92,998	<b>340,874</b>
Effects of adopting MASB 25		–	–	(41,800)	–	–	–	–	1,317	<b>(40,483)</b>
<b>Restated balance</b>		356,156	21,918	111,961	10,214	(294,476)	99	204	94,315	<b>300,391</b>
Net profit for the year		–	–	–	–	–	–	–	3,745	<b>3,745</b>
Dividends - 2001 final	28	–	–	–	–	–	–	–	(2,564)	<b>(2,564)</b>
Net gain/(loss) not recognised in the income statement	16	–	–	(579)	–	–	(7)	–	579	<b>(7)</b>
<b>At 31 December 2002</b>		356,156	21,918	111,382	10,214	(294,476)	92	204	96,075	<b>301,565</b>
Issue of shares:										
Exercise of share option		111	5	–	–	–	–	–	–	<b>116</b>
Net profit for the year		–	–	–	–	–	–	–	5,807	<b>5,807</b>
Dividends - 2002 final	28	–	–	–	–	–	–	–	(5,129)	<b>(5,129)</b>
Net gain/(loss) not recognised in the income statement	16	–	–	(160)	–	–	644	–	160	<b>644</b>
<b>At 31 December 2003</b>		356,267	21,923	111,222	10,214	(294,476)	736	204	96,913	<b>303,003</b>

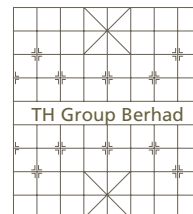
Note 15

## STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2003

Company	Note	Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained profits RM'000	Total RM'000
<b>At 1 January 2002</b>		356,156	4,200	6,373	<b>366,729</b>
Net profit for the year		–	–	4,123	<b>4,123</b>
Dividends - 2001 final	28	–	–	(2,564)	<b>(2,564)</b>
<b>At 31 December 2002</b>		356,156	4,200	7,932	<b>368,288</b>
Issue of shares - Exercise of share options		111	5	–	<b>116</b>
Net profit for the year		–	–	10,750	<b>10,750</b>
Dividends - 2002 final	28	–	–	(5,129)	<b>(5,129)</b>
<b>At 31 December 2003</b>		356,267	4,205	13,553	<b>374,025</b>

**Note 15**

The notes set out on pages 88 to 127 form an integral part of, and should be read in conjunction with, these financial statements.

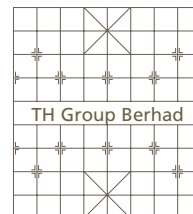


## CASH FLOW STATEMENTS for the year ended 31 December 2003

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	22,730	15,807	15,647	6,576
Adjustments for				
Allowance for diminution in value of other investments	22,190	13,179	-	-
Amortisation of goodwill	-	134	-	-
Amortisation of development costs	29	-	-	-
Depreciation	15,481	14,667	533	510
Goodwill written off	2	274	-	-
Gross dividend income	-	-	(25,000)	(15,106)
(Gain)/Loss on disposal of plant and equipment	(2,135)	(2,751)	7	(19)
Interest expense	6,248	5,975	5,703	5,830
Interest income	(2,011)	(2,287)	(2,945)	(2,789)
Inventories written off	30	1,990	-	-
Plant and equipment written off	366	506	-	2
Share of profit in an associate	(244)	(376)	-	-
Operating profit/(loss) before working capital changes	62,686	47,118	(6,055)	(4,996)
Changes in working capital:				
Inventories	542	6,360	-	-
Trade and other receivables	(65,599)	(17,572)	9,888	(29,731)
Trade and other payables	21,675	9,183	3,445	(7,780)
Cash generated from/(used in) operations	19,304	45,089	7,278	(42,507)
Development costs paid	(13)	(146)	-	-
Income taxes paid	(17,281)	(11,571)	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>2,010</b>	<b>33,372</b>	<b>7,278</b>	<b>(42,507)</b>

## CASH FLOW STATEMENTS for the year ended 31 December 2003

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Cash flows from investing activities</b>				
Acquisition of subsidiary, net of cash acquired	(2)	698	–	–
Interest received	2,011	1,785	1,934	1,802
Investment in subsidiaries	–	–	(152)	(102)
Decrease/(Increase) in pledged and designated deposits and bank balances with licensed financial institutions	19,310	(43,542)	24,075	(43,269)
Proceeds from disposal of plant and equipment	2,588	4,873	98	33
Purchase of other investments	(22,524)	(6,336)	(48)	(2,269)
Purchase of property, plant and equipment, net of depreciation and interest capitalised	(7,672)	(25,357)	(374)	(19,453)
Purchase of development land	–	(5,030)	–	–
Purchase of intangible asset	(569)	(351)	–	–
Proceeds from disposal of other investment	–	14,700	–	–
Subscription for additional preference shares in a subsidiary	–	–	(22,432)	(4,068)
<b>Net cash (used in)/generated from investing activities</b>	<b>(6,858)</b>	<b>(58,560)</b>	<b>3,101</b>	<b>(67,326)</b>
<b>Cash flows from financing activities</b>				
Dividend paid to shareholders of the Company	(5,129)	(2,564)	(5,129)	(2,564)
Interest paid	(6,248)	(4,098)	(5,457)	(3,720)
Payment of hire purchase liabilities	(36)	–	–	–
Proceeds from issuance of share under ESOS	116	–	116	–
Proceeds from bank borrowings	15,000	–	–	–
Proceeds from issuance of Islamic debt securities	–	150,000	–	150,000
Repayment of bank borrowings	–	(83,533)	–	(20,000)
Proceeds from hire purchase facility	49	–	–	–
<b>Net cash generated from/(used in) financing activities</b>	<b>3,752</b>	<b>59,805</b>	<b>(10,470)</b>	<b>123,716</b>



## CASH FLOW STATEMENTS for the year ended 31 December 2003

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Net (decrease)/increase in cash and cash equivalents	<b>(1,096)</b>	34,617	<b>(91)</b>	13,883
Foreign exchange difference	<b>644</b>	(7)	–	–
Cash and cash equivalents at beginning of year	<b>44,285</b>	9,675	<b>16,458</b>	2,575
<b>Cash and cash equivalents at end of year</b>	<b>43,833</b>	44,285	<b>16,367</b>	16,458

### Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and bank balances (excluding designated bank balances)	<b>12,710</b>	7,196	<b>759</b>	186
Deposits with licensed financial institutions (excluding deposits pledged and designated deposits)	<b>45,026</b>	37,477	<b>15,608</b>	16,272
Bank overdrafts	<b>(13,903)</b>	(388)	–	–
	<b>43,833</b>	44,285	<b>16,367</b>	16,458

The notes set out on pages 88 to 127 form an integral part of, and should be read in conjunction with, these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years except for the adoption of the following:

- (i) MASB 25, Income Taxes;
- (ii) MASB 27, Borrowing Costs; and
- (iii) MASB 29, Employee Benefit.

Apart from the new policies and extended disclosures where required by these new standards, the effects of the changes in the above accounting policies are disclosed in Note 37 to the financial statements.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2003. Particulars of the subsidiaries are set out in Note 2(c) to the financial statements.

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. 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 certain subsidiaries which had met the criteria of Malaysian Accounting Standard (MAS) No. 2, Accounting for Acquisitions and Mergers (being the applicable standard then) are consolidated based on merger method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is treated as goodwill or reserve on consolidation as appropriate.

Under the merger method of accounting, the results of the subsidiaries are presented as if the subsidiaries had been combined throughout the current and previous financial years. The difference between the cost of acquisition and the nominal value of the share capital and reserves of the merged subsidiaries is taken to merger reserve or deficit as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

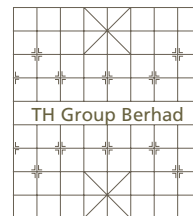
### (c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of the associate on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associate which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associate. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill or reserve on acquisition is calculated based on the fair value of net assets acquired.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of significant accounting policies (cont'd)

#### (d) Property, plant and equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses.

The Group revalues its property comprising land, infrastructure, buildings, plantation development expenditure and estate buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In any other cases, a decrease in carrying amount is charged to the income statement.

Long term leasehold lands are amortised over the remaining periods of the leases which range from 29 years to 913 years.

Plantation development expenditures in respect of oil palm and cocoa plantations are amortised over the productive lives of 25 and 20 years respectively.

All other property, plant and equipment except for freehold land and capital work-in-progress are depreciated over their estimated useful lives at the following principal annual rates:

Buildings	2%
Estate buildings and workshop	10%
Infrastructure	2% - 10%
Motor vehicles and heavy equipment	10% - 20%
Palm oil mill	2% - 6.67%
Plant and machinery	20%
Office equipment, furniture and fittings	10% - 20%
Renovation	10%

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

#### (e) Plantation development expenditure

All direct expenditure incurred in the development and maintenance of immature areas of the oil palm and cocoa plantation is capitalised under plantation development expenditure until the trees attain maturity. Net income from scout harvesting in immature areas is credited against plantation development expenditure. Maintenance expenditure incurred after maturity is charged to the income statement as and when incurred. The normal periods to maturity after the month of planting are 30 months for oil palm and 36 months for cocoa. Plantation overhead expenditure is apportioned to revenue expenditure and plantation development expenditure on the basis of the proportion of mature and immature areas. Amortisation of plantation development expenditure commences when the trees attain maturity.

All replanting expenditure is capitalised under plantation development expenditure.

#### (f) Property held for development

Property held for development comprises development land and incidental costs which is stated at cost.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies (cont'd)

### (g) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised through the income statement over its useful economic life of 5 to 10 years on the straight line method. When the Directors are of the view that there is a diminution in value of an investment which is other than temporary, the related goodwill amount will be written off.

#### (ii) Development costs

Expenditure on software development is capitalised when the software is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the direct labour costs.

Capitalised development expenditure will be amortised using the straight line method over a period of not more than five years upon commercialisation of the product.

#### (iii) Intellectual property

Intellectual property represents the costs incurred in acquiring a patented proprietary technology/software and costs incurred in its continued development. This will be amortised using the straight line method over a period of not more than five years upon commercialisation of the product.

### (h) Investments

Long term quoted and unquoted investments other than in subsidiaries and associates, are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Long term investments in subsidiaries are stated at cost in the Company, less impairment loss where applicable.

A decrease in the carrying amount of investments is charged to the income statement.

### (i) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts, if any.

### (j) Liabilities

Borrowings and trade and other payables are stated at cost.

### (k) Amounts due from/(to) contract customers

Amounts due from contract customers on construction contracts are stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct construction costs and other related costs. Where progress billings exceed the aggregate amounts due from contract customers plus attributable profits less foreseeable losses, the net credit balances on all such contracts are shown in trade and other payables as amounts due to contract customers.

### (l) Inventories and work-in-progress

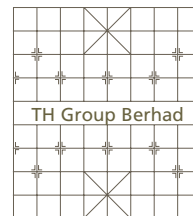
All categories of inventories are valued at the lower of cost and net realisable value. Cost is determined principally using the weighted average cost method.

For plantation produce and timber contract work-in-progress, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

For consumables stores and software held for sale, cost consists of direct purchase price and incidental costs incurred in bringing the inventories to their present location and condition.

### (m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with financial institutions and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts, pledged deposits and designated balances/deposits.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of significant accounting policies (cont'd)

#### (n) Impairment

The carrying amount of assets, other than inventories, assets arising from construction contracts, deferred tax assets and financial assets (other than investments in subsidiaries and associate), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

#### (o) Hire purchase

Plant and equipment brought under hire purchase arrangements are capitalised and the corresponding obligations are treated as liabilities. Finance charges of hire purchase are charged to the income statement on the sum of digits basis over the term of the agreements.

#### (p) Capitalisation of borrowing costs

Borrowing costs incurred on capital work-in-progress and plantation development and maintenance before maturity are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific capital work-in-progress or plantation development and maintenance before maturity, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

#### (q) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of significant accounting policies (cont'd)

#### (r) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange approximating those ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. All exchange gains or losses are dealt with through the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

##### (ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

100 Indonesian Rupiah	RM0.04	(2002 - RM0.04)
1SGD	RM2.23	(2002 - RM2.19)

#### (s) Share premium

When shares are issued at a premium, the excess over par value is credited to the share premium account. Expenses arising from the share issue are written off against the share premium account.

#### (t) Capital reserve

The Directors consider the sums received from the sale of timber salvaged in the course of clearing the Group's leasehold lands for plantation development as capital sums received in mitigation of further capital expenditure in developing the plantation. Such surplus is accordingly credited to the capital reserve account in the balance sheet.

#### (u) Revenue recognition

##### (i) Goods sold and services rendered

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses that are recoverable.

##### (ii) Construction contracts

Revenue from construction contracts is recognised based on the percentage of completion method measured by reference to the proportion of contract costs incurred for contract work performed to date that reflect work performed bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expenses in the period in which they are incurred.

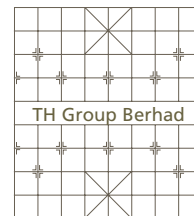
An expected loss on a contract is recognised immediately in the income statements.

##### (iii) Dividend income

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

##### (iv) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset, unless it is doubtful of collection.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of significant accounting policies (cont'd)

#### (v) Financing costs

All interest and other costs incurred in connection with borrowings, other than those capitalised in accordance with Note 1(p), are expensed as incurred.

### 2. General

#### a) Domicile and principal activities

The Company is domiciled and incorporated in Malaysia under the Companies Act, 1965. Its principal activities are investment holding, property investment and the provision of management services to companies within the Group. The principal activities of the subsidiaries, together with those acquired during the year, are stated in paragraph (c) below.

There has been no significant change in the nature of these activities during the financial year.

#### b) Principal places of business

##### Registered Office

Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur

##### Corporate Office

Unit 50-07-02  
7th Floor, Wisma UOA Damansara  
No 50 Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

##### Head Office

Lot 2-5, Block C, Bandar Fajar, Mile 1.5  
Leila Road  
90712 Sandakan  
Sabah

#### c) Subsidiaries

The particulars of the subsidiaries which are all incorporated in Malaysia, except for PT THG Kontrak and PT THG Niaga which are incorporated in Indonesia, are as follows:

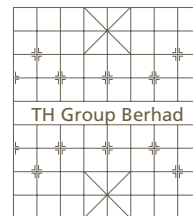
Subsidiaries	Principal activities	Effective ownership interest	
		2003	2002
Tung Hup Enterprises Sdn. Bhd.	Cultivation of oil palm and investment holding.	100%	100%
Syarikat Tung Hup Plantations Sdn. Bhd.	Cultivation of cocoa and oil palm and investment holding.	100%	100%
Tracpower Sdn. Bhd.	Log handling and stevedoring services.	100%	100%
Technology Asia Ventures Sdn. Bhd.	Venture capital investment and the provision of consultancy services in investment, strategic alliances and investment management.	70%	70%
THG Construction Sdn. Bhd.	Construction work and provision of construction project management services.	100%	100%
iTech Worldwide Sdn. Bhd.	Research and development of software application.	100%	100%
Sepat Jaya Credit Enterprise Sdn. Bhd.	Money lending operations.	100%	100%
THG Corporation Sdn. Bhd.	Investment holding.	100%	100%
Suria Semerah Sdn. Bhd.	Dormant. Intended activity is property development.	100%	100%
THG Capital Sdn. Bhd.	Venture capital investment.	100%	—
Amazon Plus Sdn. Bhd.	Provision of venture capital management, business consulting and corporate advisory services.	100%	—

## NOTES TO THE FINANCIAL STATEMENTS

### 2. General (cont'd)

#### c) Subsidiaries (cont'd)

Subsidiaries	Principal activities	Effective ownership interest	
		2003	2002
<b>Subsidiary of THG Corporation Sdn. Bhd.</b>			
PT THG Niaga #	Provision of sales and marketing of logs.	100%	–
<b>Subsidiary of Syarikat Tung Hup Plantations Sdn. Bhd.</b>			
Syarikat Tawasa Sdn. Bhd.	Property holding.	100%	100%
<b>Subsidiary of Technology Asia Ventures Sdn. Bhd.</b>			
Special Benchmark Sdn. Bhd.	Licensing and development of pen digitised technologies.	100%	100%
<b>Subsidiaries of THG Capital Sdn. Bhd.</b>			
Strategic Starview Sdn. Bhd.	Provision of products marketing and advisory services.	100%	–
<b>Subsidiaries of THG Construction Sdn. Bhd.</b>			
Sunshine Paradigm Sdn. Bhd.	Construction work and provision of construction project management services.	70%	70%
Wisdirection Venture Sdn. Bhd.	Provision of construction project management services.	100%	100%
<b>Subsidiaries of Tung Hup Enterprises Sdn. Bhd.</b>			
Besatim Sdn. Bhd.	Investment holding.	100%	100%
Sri Insani Sdn. Bhd.	Investment holding.	100%	100%
Rimijaya Sdn. Bhd.	Cultivation of oil palm.	100%	100%
Marceda Corporation Sdn. Bhd.	Cultivation of cocoa.	100%	100%
Tung Hup (Contracting) Sdn. Bhd.	Civil construction works.	100%	100%
Magain Enterprise Sdn. Bhd.	Provision of management service.	100%	100%



## NOTES TO THE FINANCIAL STATEMENTS

### 2. General (cont'd)

#### c) Subsidiaries (cont'd)

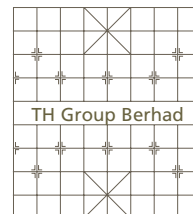
Subsidiaries	Principal activities	Effective ownership interest	
		2003	2002
<b>Subsidiaries of Sri Insani Sdn. Bhd.</b>			
Sekarharum Sdn. Bhd.	Cultivation of oil palm.	100%	100%
Sri Insani Plantations (Sabah) Sdn. Bhd.	Cultivation of oil palm.	100%	100%
<b>Subsidiaries of Tung Hup (Contracting) Sdn. Bhd.</b>			
Tung Hup Contracting (Sarawak) Sdn. Bhd.	Dormant.	100%	100%
PT THG Kontrak #	Land clearing activities.	100%	100%
<b>Subsidiaries of Besatim Sdn. Bhd.</b>			
Tung Hup Palm Oil Mill Sdn. Bhd.	Palm oil milling.	100%	100%
Tung Hup Kelapa Sawit Sdn. Bhd.	Cultivation of oil palm.	70%	70%
Kaling Sdn. Bhd.	Dormant.	70%	70%
<b>Subsidiaries of iTech Worldwide Sdn. Bhd.</b>			
iTech Worldwide (Consulting) Sdn. Bhd.	Provision of information technology consultancy services which include project management, custom software development, system integration, software reengineering and network engineering.	100%	100%
THG E-Net Solutions Sdn. Bhd.	Provision of e-business solutions in the vertical market of finance, manufacturing, retailing, logistics, procurement, distribution and mobile commerce.	51%	51%

# - Audited by member firms of KPMG International.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Property, plant and equipment

Group	Lands, infrastructure, buildings and renovation RM'000	Palm oil mill RM'000	Plantation development expenditure RM'000	Estate buildings and workshop RM'000	Plant and machinery RM'000	Motor vehicles and heavy equipment RM'000	Office equipment, furniture and fittings RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost/Valuation</b>									
At 1 January 2003	148,955	43,526	146,407	22,482	17	79,946	4,471	187	<b>445,991</b>
Additions	144	–	1,309	29	–	5,400	790	122	<b>7,794</b>
Disposals	–	–	–	–	–	(6,262)	(167)	–	<b>(6,429)</b>
Write off	(87)	–	–	(1)	–	(571)	(8)	(3)	<b>(670)</b>
Transfer	–	–	–	96	–	97	–	(193)	<b>–</b>
At 31 December 2003	149,012	43,526	147,716	22,606	17	78,610	5,086	113	<b>446,686</b>
Representing items at:									
Cost	36,264	43,526	18,186	21,937	17	78,610	5,086	113	<b>203,739</b>
Directors' valuation	112,748	–	129,530	669	–	–	–	–	<b>242,947</b>
	149,012	43,526	147,716	22,606	17	78,610	5,086	113	<b>446,686</b>
<b>Accumulated depreciation</b>									
At 1 January 2003	6,916	16,191	21,203	10,536	11	74,572	1,904	–	<b>131,333</b>
Charge for the year	2,190	2,904	6,121	1,306	3	2,524	555	–	<b>15,603</b>
Disposals	–	–	–	–	–	(5,882)	(94)	–	<b>(5,976)</b>
Write off	–	–	–	–	–	(296)	(8)	–	<b>(304)</b>
At 31 December 2003	9,106	19,095	27,324	11,842	14	70,918	2,357	–	<b>140,656</b>
<b>Net book value</b>									
At 31 December 2003	139,906	24,431	120,392	10,764	3	7,692	2,729	113	<b>306,030</b>
At 31 December 2002	142,039	27,335	125,204	11,946	6	5,374	2,567	187	<b>314,658</b>
<b>For the year ended 31 December 2002</b>									
Depreciation charge	1,892	2,836	5,795	1,358	3	2,515	492	–	<b>14,891</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 3. Property, plant and equipment (cont'd)

Lands, infrastructure, buildings and renovation of the Group comprise:

Group	Freehold land RM'000	Long term leasehold land RM'000	Infrastructure RM'000	Buildings RM'000	Renovation RM'000	Total RM'000
<b>Cost/valuation</b>						
At 1 January 2003	6,000	115,773	10,081	14,469	2,632	<b>148,955</b>
Additions	–	–	–	–	144	<b>144</b>
Write off	–	(87)	–	–	–	<b>(87)</b>
At 31 December 2003	6,000	115,686	10,081	14,469	2,776	<b>149,012</b>
Representing items at:						
Cost	6,000	12,573	904	14,011	2,776	<b>36,264</b>
Directors' valuation	–	103,113	9,177	458	–	<b>112,748</b>
	6,000	115,686	10,081	14,469	2,776	<b>149,012</b>
<b>Accumulated depreciation and impairment losses</b>						
At 1 January 2003	–	5,556	715	374	271	<b>6,916</b>
Charge for the year	–	1,351	169	293	377	<b>2,190</b>
At 31 December 2003	–	6,907	884	667	648	<b>9,106</b>
<b>Net book value</b>						
At 31 December 2003	6,000	108,779	9,197	13,802	2,128	<b>139,906</b>
At 31 December 2002	6,000	110,217	9,366	14,095	2,361	<b>142,039</b>
<b>For the year ended 31 December 2002</b>						
Depreciation charge	–	1,158	165	337	232	<b>1,892</b>

## NOTES TO THE FINANCIAL STATEMENTS

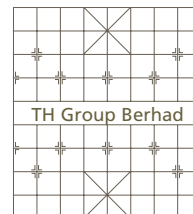
### 3. Property, plant and equipment (cont'd)

Company	Freehold land and building RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Renovation RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2003	18,842	550	1,013	188	<b>20,593</b>
Additions	–	–	295	79	<b>374</b>
Disposals	–	(123)	(41)	–	<b>(164)</b>
At 31 December 2003	18,842	427	1,267	267	<b>20,803</b>
<b>Accumulated depreciation</b>					
At 1 January 2003	300	90	342	46	<b>778</b>
Charge for the year	257	102	155	19	<b>533</b>
Disposals	–	(33)	(26)	–	<b>(59)</b>
At 31 December 2003	557	159	471	65	<b>1,252</b>
<b>Net book value</b>					
At 31 December 2003	18,285	268	796	202	<b>19,551</b>
At 31 December 2002	18,542	460	671	142	<b>19,815</b>
<b>For the year ended 31 December 2002</b>					
Depreciation charge	300	62	129	19	<b>510</b>

#### Depreciation

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Charged to income statement	<b>15,481</b>	14,667	<b>533</b>	510
Capitalised into plantation development expenditure	<b>122</b>	224	–	–
	<b>15,603</b>	14,891	<b>533</b>	510



## NOTES TO THE FINANCIAL STATEMENTS

### 3. Property, plant and equipment (cont'd)

#### **Revaluation**

Certain long term leasehold land, infrastructure, buildings, plantation development expenditure and estate buildings of the Group were revalued by the Directors in 1999 based on professional appraisals by an independent valuer, C.H. William, Talhar and Wong (Sabah) Sdn Bhd, using open market values on an existing use basis conducted in 1998 and was subsequently updated in 2001 by the same valuer except for properties acquired in 2000 and 2001 which continue to be stated at cost since no material difference is expected. The 2001 valuation amount does not differ materially from the carrying values of the respective properties and as such no changes were made to the carrying values.

The Directors are of the opinion that the current market values of the revalued properties are not less than their carrying values as at 31 December 2003.

Had the revalued properties been included in the financial statements at historical cost less accumulated depreciation, the net book value of the revalued properties would have been as follows:

	Group	
	2003 RM'000	2002 RM'000
Long term leasehold land	5,860	5,934
Infrastructure	1,106	1,119
Buildings	736	746
Plantation development expenditure	61,109	64,015
Estate buildings	226	278
	<b>69,037</b>	72,092

#### **Security**

Certain property, plant and equipment of the Group stated at cost/valuation of RM92.7 million (2002 - RM113.5 million) have been charged to banks for banking facilities granted to the Group and Company. The details of the banking facilities are stated in Note 14 to the financial statements.

Certain properties of the Group and the Company stated at cost/valuation of RM194.6 million (2002 - RM194.6) and RM18.8 million (2002 - RM18.8 million) respectively have been charged to a trustee company as security for the Company's Al-Bai' Bithaman Ajil Islamic Debt Securities Issuance Facility (BAIDS) as disclosed in Note 19 to the financial statements.

#### **Impairment losses**

No impairment loss was charged during the year.

#### **Land titles**

The titles to certain freehold and leasehold properties of the Group and the Company with net book value totalling RM19.5 million (2002 - RM18.7 million) and RM18.3 million (2002 - RM18.5), respectively, are in the process of being transferred to the name of the Company and the relevant subsidiaries.

#### **Borrowing cost**

Included in plantation development expenditure of the Group for year 2002 was interest capitalised at 3% per annum totalling RM3,018. None was capitalised during the current financial year.

#### **Assets retired from active use**

As at 31 December 2002, net book value of assets retired from active use and held for disposal for the Group amounted to RM378,994.

#### **Assets under hire purchase**

Included in plant and equipment of the Group is a motor vehicle acquired under a hire purchase agreement with a net book value of RM44,145 (2002 - Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Investments in subsidiaries

	Company	
	2003 RM'000	2002 RM'000
<b>Unquoted shares, at cost</b>		
At 1 January	412,193	408,023
Arising from acquisition of a subsidiary	2	2
Arising from subscription of additional ordinary shares in an existing subsidiary	150	100
Arising from subscription of additional preference shares in a subsidiary	22,432	4,068
At 31 December	434,777	412,193

### 5. Investment in an associate

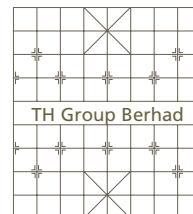
	Group	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost	21	21
Share of post-acquisition reserves	772	528
	793	549
Represented by:		
Group's share of net assets	881	637
Reserve on acquisition	(88)	(88)
	793	549

The details of the associate of the Group are as follows:

Name of Associate	Country of incorporation	Effective ownership interest		Principal activity
		2003	2002	
Ginosko Venture Management Pte. Ltd.	Singapore	14%	14%	Provision of investment management consultancy and advisory services.

### 6. Other investments

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Unquoted shares, at cost</b>				
- in Malaysia	13,477	5,677	-	-
- outside Malaysia	51,169	39,680	-	-
	64,646	45,357	-	-
<b>Quoted shares, at cost</b>				
- in Malaysia	61	-	-	-
- outside Malaysia	18,408	15,312	-	-
	18,469	15,312	-	-



## NOTES TO THE FINANCIAL STATEMENTS

### 6. Other investments (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Quoted unit trust, at cost</b>				
- in Malaysia	<b>2,317</b>	2,269	<b>2,317</b>	2,269
	<b>85,432</b>	62,938	<b>2,317</b>	2,269
Less: Allowance for diminution in value				
Unquoted shares				
- in Malaysia	<b>(3,740)</b>	(2,500)	-	-
- outside Malaysia	<b>(24,824)</b>	(3,874)	-	-
Quoted shares				
- outside Malaysia	<b>(6,805)</b>	(6,805)	-	-
	<b>50,063</b>	49,759	<b>2,317</b>	2,269
Quoted shares, at market value				
- in Malaysia	<b>66</b>	-	-	-
- outside Malaysia	<b>3,607</b>	3,411	-	-
Quoted unit trust, at market value				
- in Malaysia	<b>2,611</b>	2,157	<b>2,611</b>	2,157

The market value of the quoted shares outside Malaysia on 2 March 2004 is approximately RM5,538,000.

### 7. Property held for development

	Group	
	2003 RM'000	2002 RM'000
Land and development costs, at cost	<b>5,043</b>	5,030

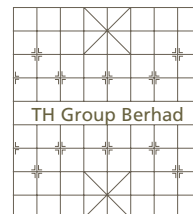
## NOTES TO THE FINANCIAL STATEMENTS

### 8. Intangible assets

Group	Goodwill RM'000	Development costs RM'000	Intellectual property RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2003	400	146	351	<b>897</b>
On acquisition of subsidiary	2	–	–	<b>2</b>
Incurred during the year	–	410	159	<b>569</b>
At 31 December 2003	402	556	510	<b>1,468</b>
<b>Accumulated amortisation</b>				
At 1 January 2003	400	–	–	<b>400</b>
Charge for the year	2	29	–	<b>31</b>
At 31 December 2003	402	29	–	<b>431</b>
<b>Net book value</b>				
At 31 December 2003	–	527	510	<b>1,037</b>
At 31 December 2002	–	146	351	<b>497</b>
Amortisation charge for year ended 31 December 2002	134	–	–	<b>134</b>

### 9. Trade and other receivables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Non current				
Trade receivables	–	20,028	–	–
Term loan receivables	<b>17,692</b>	5,294	–	–
	<b>17,692</b>	25,322	–	–
Current				
Trade receivables	<b>89,078</b>	43,435	–	–
Term loan receivables	<b>2,765</b>	5,956	–	–
Amounts due from contract customers	<b>31,055</b>	2,654	–	–
Subsidiaries	–	–	<b>64,078</b>	54,628
Other receivables, deposits and prepayments	<b>18,331</b>	15,955	<b>364</b>	691
	<b>141,229</b>	68,000	<b>64,442</b>	55,319
	<b>158,921</b>	93,322	<b>64,442</b>	55,319



## NOTES TO THE FINANCIAL STATEMENTS

### 9. Trade and other receivables (cont'd)

Trade receivables of the Group are stated net of allowance for doubtful debts of RM1.116 million (2002 - RM1.057 million).

Other receivables, deposits and prepayments of the Group are stated net of allowance for doubtful debts of RM1.364 million (2002 - RM1.061 million).

#### Amounts due from contract customers

	Group	
	2003 RM'000	2002 RM'000
Aggregate cost incurred to date	220,700	62,358
Add: Attributable profits	11,479	2,914
	<b>232,179</b>	65,272
Less: Progress billings	(210,466)	(68,569)
	<b>21,713</b>	(3,297)
Amounts due to contract customers (Note 13)	9,342	5,951
	<b>31,055</b>	2,654

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for RM17,308,222 (2002 - RM6,369,116) and RM42,013,000 (2002 - RM28,430,000) due from certain subsidiaries which are subject to interest at 1% (2002 - 1%) per annum above a bank's base lending rate and 3% (2002 - 3%) per annum, respectively.

### 10. Deposits with licensed financial institutions

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits with licensed financial institutions	71,947	83,688	34,774	59,493
Less:				
Deposits pledged to financial institutions	(7,755)	(2,990)	-	-
Deposits placed in the BAIDS Designated Accounts	(19,166)	(43,221)	(19,166)	(43,221)
Maturing within 12 months	45,026	37,477	15,608	16,272

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Deposits with licensed financial institutions (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits with licensed financial institutions are placed with:				
Licensed banks	70,947	80,682	34,774	57,487
Licensed finance company	1,000	1,000	–	–
Other	–	2,006	–	2,006
	<b>71,947</b>	83,688	<b>34,774</b>	59,493

The deposits pledged to banks by certain subsidiaries are security for credit and guarantee facilities granted to those subsidiaries.

The deposits placed in the BAIDS Designated Accounts are charged under the terms of the BAIDS as set out in Note 19(vi).

### 11. Inventories

	Group	
	2003 RM'000	2002 RM'000
<b>At cost</b>		
Oil palm nurseries	38	88
Plantation produce	605	1,873
Consumable stores	4,209	3,467
Cocoa beans	63	29
Software held for sale	712	712
	<b>5,627</b>	6,169

### 12. Cash and bank balances

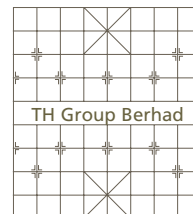
Included in the Group's and the Company's cash and bank balances is RM28,390 (2002 - RM47,816) which represents the balance in the Designated Accounts which are operated jointly by the Company and a trustee representing the BAIDS holders.

These bank accounts are charged under the terms of the BAIDS as set out in Note 19(vi).

### 13. Trade and other payables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables	31,301	13,797	–	–
Amounts due to contract customers (Note 9)	9,342	5,951	–	–
Subsidiaries	–	–	21,461	17,630
Other payables and accrued expenses	6,339	7,002	2,549	2,689
Hire purchase creditors	13	–	–	–
	<b>46,995</b>	26,750	<b>24,010</b>	20,319

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayments except for an amount of RM3,565,910 (2002 - RM3,316,933) due to a subsidiary which is subject to interest at 1% per annum above a bank's base lending rate (2002 - 1% per annum above the cost of funds of the subsidiary's banker). This amount is unsecured and has no fixed terms of repayment.



## NOTES TO THE FINANCIAL STATEMENTS

### 14. Bank borrowings

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current				
Bank overdrafts	13,903	388	–	–
Term loans	23,000	–	8,000	–
	<b>36,903</b>	388	<b>8,000</b>	–
Non-current				
Term loan	7,000	15,000	7,000	15,000
	<b>43,903</b>	15,388	<b>15,000</b>	15,000
<b>Maturity of borrowings</b>				
Within 12 months				
Bank overdrafts	13,903	388	–	–
Term loans	23,000	–	8,000	–
	<b>36,903</b>	388	<b>8,000</b>	–
Between 1 to 2 years				
Term loans	7,000	15,000	7,000	15,000
	<b>43,903</b>	15,388	<b>15,000</b>	15,000

#### Interest rates

Bank overdrafts 1% to 1.25% (2002 – 1% to 1.25%) per annum above the banks' base lending rates.  
 Term loans 1.5% to 2.5% (2002 - 1% to 2.5%) per annum above the bank's cost of funds or base lending rates.

#### Security

##### Group

Bank overdrafts and term loans:

- Corporate guarantees issued by the Company as disclosed in Note 29;
- Third party first legal charge of RM20,000,000 over a plantation land of a subsidiary; and
- Pledge of fixed deposit by a subsidiary of up to RM3 million (2002- Nil) for term loan and up to 20% (2002 - 0%) of the multitrade line facilities utilised.

##### Company

Term loan:

Third party first legal charge of RM20,000,000 over a plantation land of a subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Share capital

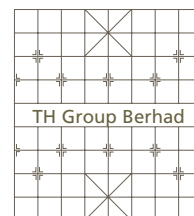
	Group and Company	
	2003 RM'000	2002 RM'000
<b>Ordinary shares of RM1.00 each</b>		
Authorised	600,000	600,000
Issued and fully paid		
At 1 January	356,156	356,156
Shares issued under share option scheme	111	–
At 31 December	356,267	356,156

The Company issued 142,462,363 detachable warrants to its shareholders during the financial year ended 31 December 2002 in conjunction with its Al-Bai' Bithaman Ajil Islamic Debt Securities Issuance Facility as disclosed in Note 19. The warrants were issued on the basis of 2 warrants for every 5 existing ordinary shares. The warrants are in registered form and constituted by a deed poll and entitle the registered holders to subscribe for one (1) ordinary share of RM1.00 in the Company at a price of RM1.25 per ordinary share for every warrant held subject to adjustments in accordance with the deed poll. The warrants can be exercised at any time from the date of issue and they shall expire on 31 January 2007. At the end of the year, 142,462,363 warrants remained unexercised.

As at year end, the number of unissued ordinary shares of RM1 each under options granted pursuant to the ESOS is as follows:

Option price	Date of grant	Number of ordinary shares of RM1 each	
		2003	2002
RM1.82 per share	5.4.1999	2,764,000	3,031,000
RM1.64 per share	20.8.1999	207,000	226,000
RM2.67 per share	21.8.2000	2,266,000	2,376,000
RM1.51 per share	17.8.2001	922,000	1,106,000
RM1.19 per share	4.6.2002	1,076,000	1,230,000
RM1.08 per share	4.6.2002	6,574,000	7,245,000
RM1.00 per share	28.9.2002	709,000	771,000
RM1.00 per share	11.4.2003	583,000	–
		15,101,000	15,985,000

The consideration is payable in full on application.



## NOTES TO THE FINANCIAL STATEMENTS

### 16. Reserves

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Non-distributable</b>				
<b>Share premium</b>				
At 1 January	21,918	21,918	4,200	4,200
Issue of shares:				
Exercise of share options	5	–	5	–
At 31 December	21,923	21,918	4,205	4,200
<b>Revaluation reserve</b>				
At 1 January	111,382	153,761	–	–
Effect of adopting MASB 25	–	(41,800)	–	–
Transfer to retained profits on realisation	(160)	(579)	–	–
At 31 December	111,222	111,382	–	–
<b>Reserve on consolidation</b>				
At 1 January/ 31 December	10,214	10,214	–	–
<b>Merger deficit</b>				
At 1 January/ 31 December	(294,476)	(294,476)	–	–
<b>Foreign exchange reserve</b>				
At 1 January	92	99	–	–
Arising from translation of financial statements of foreign operations	644	(7)	–	–
At 31 December	736	92	–	–
Total non-distributable	(150,381)	(150,870)	4,205	4,200
<b>Distributable</b>				
<b>Capital reserve</b>				
At 1 January/ 31 December	204	204	–	–
<b>Retained profits</b>				
At 1 January	96,075	92,998	7,932	6,373
Net profit for the year	5,807	3,745	10,750	4,123
Dividends paid	(5,129)	(2,564)	(5,129)	(2,564)
Effect of adopting MASB 25	–	5,059	–	–
Correction of fundamental error	–	(3,742)	–	–
Transfer from revaluation reserve on realisation	160	579	–	–
At 31 December	96,913	96,075	13,553	7,932
Total distributable	97,117	96,279	13,553	7,932
Total reserves	(53,264)	(54,591)	17,758	12,132

Subject to the agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all its distributable reserves at 31 December 2003 if paid out as dividends.

### 17. Minority shareholders' interest

This consists of the minority shareholders' proportion of share capital and reserves in subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Deferred taxation

The amounts, determined after appropriate offsetting, are as follows:

	Group	
	2003 RM'000	2002 RM'000
Deferred tax liabilities	66,246	66,101
Deferred tax assets	(796)	(1,610)
	<b>65,450</b>	64,491

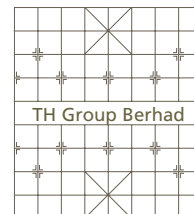
Deferred tax liabilities and assets are offset above as there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group	
	2003 RM'000	2002 RM'000
Provisions	(17)	(80)
Property, plant and equipment		
- capital allowances	28,881	30,102
- revaluation	38,118	39,168
Unabsorbed capital and agriculture allowances	(71)	(421)
Unutilised tax losses	(1,461)	(4,278)
	<b>65,450</b>	64,491
No net deferred tax benefit has been recognised for the following items:		
Taxable temporary differences	521	259
Unabsorbed capital allowances	(126)	(70)
Unutilised tax losses	(1,132)	(1,577)
	<b>(737)</b>	(1,388)

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the respective subsidiaries in the Group can utilise the benefits.

The Group has tax losses carried forward of RM9,260,000 (2002 - RM20,910,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above.



## NOTES TO THE FINANCIAL STATEMENTS

### 19. Islamic debt securities

During the financial year ended 31 December 2002, the Company had issued RM150,000,000 nominal amount of 3% Al-Bai' Bithaman Ajil Islamic Debt Securities Issuance Facility (BAIDS) with up to 142,462,363 detachable warrants on a "Bought Deal" basis to a primary subscriber. The primary subscriber undertook a private placement of the entire RM150,000,000 nominal amount of the BAIDS (without warrants) and an offer for sale of the provisional rights to the allotment of the warrants to the shareholders of the Company at a price of 18.03 sen per warrant on a renounceable basis of 2 warrants for every 5 existing ordinary shares held on the book closure date of 16 May 2002.

The BAIDS were secured against:

- i) A third party first legal charge on oil palm plantation lands owned by a wholly-owned subsidiary, Tung Hup Enterprises Sdn. Bhd. and a 70% owned subsidiary, Kaling Sdn. Bhd. The plantation land owned by Kaling Sdn. Bhd. has been sub-leased to Tung Hup Enterprises Sdn. Bhd. since 1992.
- ii) A third party first legal charge on oil palm plantation owned by a wholly-owned subsidiary, Sri Insani Plantations (Sabah) Sdn. Bhd.
- iii) A first party, first legal fixed charge on a freehold land together with a block of 3 storey office complex of the Company located in Cyberjaya.
- iv) An assignment over the Warrants Conversion Account operated jointly by the Company and a trustee.
- v) A third party assignment by a wholly-owned subsidiary, PT THG Kontrak, over 40% of the actual net cash flow from the operations of its land clearing contract commenced during the year.
- vi) A first party first legal fixed charge over the total proceeds in the Designated Accounts, namely Disbursement Account, Reserve Account, Notes Redemption Account, Commodities Reserve Account, Assignment Proceeds Account and Warrants Conversion Account, operated jointly by the Company and a trustee.

The BAIDS applies the underlying Syariah principle of Al-Bai' Bithaman Ajil or Deferred Payment Sale. Under the Syariah principle of Al-Bai Bithaman Ajil, the primary subscriber first purchased the identified assets which were then resold by the primary subscriber to the Company at a selling price which shall comprise the purchase price and a profit, the aggregate of which amounted to RM169,050,000.

The obligation of the Company to settle the selling price was securitised through the issuance of the BAIDS in the form of Primary Notes and Secondary Notes amounting to RM150,000,000 and RM19,050,000 respectively, the total face value of which equalled the selling price.

The Primary Notes and Secondary Notes are redeemable at their nominal amount in the following manner:

Year of redemption	Primary Notes RM'000	Secondary Notes RM'000	Total RM'000
2002	–	2,250	<b>2,250</b>
2003	–	4,500	<b>4,500</b>
2004	10,000	4,350	<b>14,350</b>
2005	20,000	3,900	<b>23,900</b>
2006	45,000	2,925	<b>47,925</b>
2007	75,000	1,125	<b>76,125</b>
	150,000	19,050	<b>169,050</b>

A Notes Redemption Account had been created and jointly managed by the Company and a trustee for the purpose of redeeming the Primary Notes and the Secondary Notes. The redemption of the Primary Notes and the Secondary Notes will be from the Group's operating cash flow and proceeds from the exercise of warrants captured under the Warrants Conversion Account. The Company shall ensure that there are sufficient funds in the accounts to redeem the Primary Notes and the Secondary Notes at least one (1) month prior to payment date. During the year, the Company had redeemed RM4,500,000 (2002 - RM2,250,000) of its Secondary Notes.

## NOTES TO THE FINANCIAL STATEMENTS

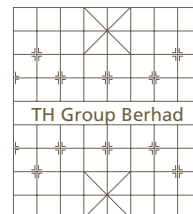
### 19. Islamic debt securities (cont'd)

Based on the trust deed, set out below is a summary of significant covenants in respect of the BAIDS facility.

- (a) Security cover over the Notes shall be maintained at not less than 1.6 times of the nominal value of the outstanding notes.
- (b) The Company hereby covenants that it shall not without the prior written consent of MTB:
  - (i) Dispose any part of its business or investments or assets which may significantly affect the core business of the Group;
  - (ii) Enter into transaction of merger or consolidation or amalgamation with any company not within the Group or liquidate, wind up or dissolve itself;
  - (iii) Decrease its authorised or issued and paid-up capital;
  - (iv) Amend its Memorandum and Articles of Association;
  - (v) Issue any redeemable shares to external parties;
  - (vi) Change or threaten to change the nature or scope of its business;
  - (vii) During the tenure of the Notes, the Company's investments in TAV shall not exceed thirty percent (30%) of the Group's net tangible assets;
  - (viii) Create any mortgage, charge, pledge or other security interest over the assets other than in the normal course of working capital requirements;
  - (ix) Modify the rights attaching to its ordinary share capital;
  - (x) Amend the Depository and Paying Agency Agreement;
- (c) Maintain an annual debt service cover ratio of 1.5:1 and a debt to net tangible asset ratio of not more than 1.25:1.
- (d) Company shall not declare dividend if the annual debt service cover ratio is less than 1.75:1 or if the reserve account is less than the amount required for the next redemption of Secondary Notes and if there is any occurrence of events of default.

### 20. Net tangible assets per share

The net tangible assets per share is calculated by dividing the shareholders' funds, after deducting intangible assets balance, by the number of ordinary shares of the Group and of the Company in issue as at 31 December 2003 of 356,266,907 (2002 - 356,155,907).



## NOTES TO THE FINANCIAL STATEMENTS

### 21. Revenue

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sales of plantation produce	133,554	109,401	–	–
Timber extraction contract income	6,071	18,811	–	–
Civil construction contract income	142,989	32,826	–	–
Equipment hire income	31	–	–	–
Other contract income	277	–	–	–
Licence fees, hardware and software maintenance fee and related costs	144	57	–	–
Interest income from money lending activities	454	306	–	–
Gross dividends received from unquoted subsidiaries in Malaysia	–	–	25,000	15,106
Management fees received from subsidiaries	–	–	1,212	1,239
Rental income	1,962	1,588	1,962	1,588
Other income	48	–	48	–
	<b>285,530</b>	<b>162,989</b>	<b>28,222</b>	<b>17,933</b>

### 22. Cost of sales

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Plantation produce	73,488	65,398	–	–
Timber extraction contract	2,346	16,156	–	–
Civil construction contract	134,336	31,317	–	–
Equipment hire costs	572	–	–	–
Other contract costs	1,243	3,799	–	–
Licence fees, hardware and software maintenance fee and related costs	359	214	–	–
Rental related costs	620	343	620	343
	<b>212,964</b>	<b>117,227</b>	<b>620</b>	<b>343</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Operating profit

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Operating profit is stated after crediting:</b>				
Gain on disposal of plant and equipment	2,135	2,751	–	19
Gross dividends received from unquoted subsidiaries in Malaysia	–	–	25,000	15,106
Interest income	2,011	2,287	2,945	2,789
Provision for defects liability written back	–	414	–	–
Rental income	2,417	1,915	1,962	1,588
<b>And after charging:</b>				
Allowance for doubtful debts	980	835	350	–
Amortisation of goodwill	–	134	–	–
Amortisation of development costs	29	–	–	–
Auditors' remuneration				
- current year	251	186	28	24
- (over)/under provision in previous year	(5)	(5)	(3)	(5)
Bad debts written off	87	297	–	–
Depreciation	15,481	14,667	533	510
Directors' remuneration				
- fees	958	491	239	240
- salaries and other emoluments*	1,218	828	1,024	390
Equipment hire	157	1,737	–	–
Goodwill written off	2	274	–	–
Inventories written off	30	1,990	–	–
Loss on disposal of plant and equipment	–	–	7	–
Plant and equipment written off	366	506	–	2
Realised loss on foreign exchange	96	–	–	–
Rental expenses	1,316	990	316	205
Unrealised loss on foreign exchange	141	–	–	–

\* The estimated monetary value of Directors' benefits-in-kind included above is RM19,000 (2002 - RM4,166) and RM11,100 (2002 - RM21,000), for the Group and Company respectively.

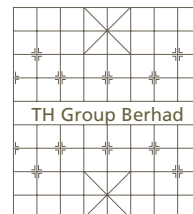
### 24. Employee information

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Staff costs	27,325	27,986	2,347	2,066

The number of employees of the Group and of the Company (excluding Directors) at the end of the financial year was 2,243 (2002 - 2,179) and 43 (2002 - 38) respectively.

### 25. Interest expense

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest on:				
Advance from a subsidiary	–	–	246	230
Bank overdrafts	659	109	–	–
Hire purchase	1	–	–	–
Revolving credits	131	354	–	288
Term loans	957	1,387	957	1,187
Islamic debt securities	4,500	4,125	4,500	4,125
	6,248	5,975	5,703	5,830



## NOTES TO THE FINANCIAL STATEMENTS

### 26. Taxation

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current tax expense				
Malaysia				
- current year	13,581	7,382	4,876	2,453
- underprovision in prior year	742	391	21	-
Overseas				
- current year	1	-	-	-
- overprovision in prior year	(15)	-	-	-
	14,309	7,773	4,897	2,453
Deferred tax expense				
Origination and reversal of temporary differences	1,796	3,398	-	-
Overprovision in prior years	(822)	(90)	-	-
	974	3,308	-	-
	15,283	11,081	4,897	2,453

#### Reconciliation of effective tax rate

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit before taxation	22,730	15,807	15,647	6,576
Income tax using Malaysian tax rates	6,364	4,426	4,381	1,841
Effect of different tax rates in foreign jurisdictions	121	(68)	-	-
Effect of reduced in tax rate for SMI	(15)	-	-	-
Non-deductible expenses	10,294	6,499	495	612
Tax exempt income	(3,460)	(99)	-	-
Effect of previously unrecognised deferred tax assets	(287)	(337)	-	-
Deferred tax assets not recognised	2,361	314	-	-
Tax expense on share of profit of associate	-	45	-	-
	15,378	10,780	4,876	2,453
Under/(over) provision in prior years	(95)	301	21	-
Tax expense	15,283	11,081	4,897	2,453

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Earnings per ordinary share

#### *Basic earnings per share*

Basic earnings per share of the Group is calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Group	
	2003	2002
Net profit for the year (RM'000)	5,807	3,745
Weighted average number of ordinary shares in issue ('000)	356,180	356,156
Basic earnings per share (sen)	1.63	1.05

#### *Diluted earnings per share*

The diluted earnings per share of the Group is calculated by dividing the net profit for the year attributable to shareholders by the adjusted weighted average number of ordinary shares in issue and issuable during the year as set out below:

	Group 2002 '000
Weighted average number of ordinary shares as above	356,156
Effect of warrants	6,719
Adjusted weighted average number of ordinary shares	362,875
Diluted earnings per share (sen)	1.03

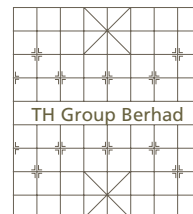
The diluted earnings per share for year 2003 when calculated resulted in increased earnings per share and therefore is not shown.

The effect of share options is not included in the current and previous years diluted earnings per share calculation because the assumed conversion would result in an anti-dilutive effect.

### 28. Dividends

	Group and Company	
	2003 RM'000	2002 RM'000
Appropriation of retained profits for the final dividend paid of 2% (2002 - 1%) per share less tax for financial year ended 31 December 2002 and 2001, respectively	5,129	2,564

At the forthcoming annual general meeting, a final gross dividend of 3% less tax amounting to RM7,695,367 (2002 - RM5,128,646) in respect of the financial year ended 31 December 2003 have been proposed by the Directors for shareholders' approval and upon approval will be appropriated against retained profits during financial year ending 2004.



## NOTES TO THE FINANCIAL STATEMENTS

### 29. Contingent liabilities

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Secured</b>				
Bank guarantee facility utilised by a third party	9,455	3,935	–	–
Bank guarantee utilised by main contractors of a subsidiary for performance bonds	14,372	3,100	–	–
	<b>23,827</b>	7,035	–	–
<b>Unsecured</b>				
Corporate guarantee given to suppliers for credit facilities granted to certain subsidiaries	–	–	11,850	8,710
Performance guarantee given to a third party for a construction contract granted to a subsidiary	–	–	19,999	19,999
Guarantees given to banks for banking facilities granted to certain subsidiaries	–	–	150,000	137,000
	–	–	181,849	165,709
	<b>23,827</b>	7,035	181,849	165,709

The secured contingent liabilities of the Group are secured by fixed deposits pledged to the financial institutions as disclosed in Note 10 to the financial statements.

### 30. Commitments

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Property, plant and equipment</b>				
Authorised and contracted for	598	15	–	–
Authorised but not contracted for	15	453	–	–

#### Other commitment

As at 31 December 2003, a subsidiary has commitments in respect of commodity futures sell contracts and purchase contracts on crude palm oil totalling approximately RM2,650,000 (2002 - RM3,134,000) and RM398,000 (2002 - Nil) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Segmental information

Segmental information is presented in respect of the Group's business segments. There is no information on geographical segments presented as majority of the Group's business activities are carried out in Malaysia.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest bearing loans, borrowings and expenses and corporate expenses.

The Group comprises the following business segments:

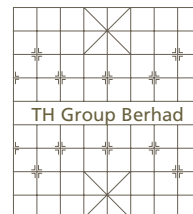
Plantation  
 Timber extraction  
 Construction  
 Venture capital  
 Information technology  
 Investment holding  
 Money lending  
 Others

The reconciliation between the segment assets and the aggregate assets in the Group's balance sheet is set out below:

	Group	
	2003 RM'000	2002 RM'000
Non-current assets	408,375	443,636
Current assets	215,563	127,588
Total assets stated in balance sheet	623,938	571,224
Less: Tax refundable	(10,943)	(8,698)
Deferred tax assets	(796)	(1,610)
Total assets stated in segmental information	612,199	560,916

The reconciliation between the segment liabilities and the aggregate liabilities in the Group's balance sheet is set out below:

	Group	
	2003 RM'000	2002 RM'000
Current liabilities	95,851	29,804
Long term and deferred liabilities	213,246	231,101
Total liabilities stated in balance sheet	309,097	260,905
Less: Provision for taxation	(1,953)	(2,666)
Deferred taxation	(66,246)	(66,101)
Total liabilities stated in segmental information	240,898	192,138



## NOTES TO THE FINANCIAL STATEMENTS

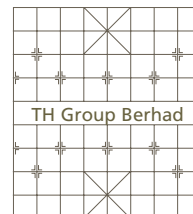
### 31. Segmental information (cont'd)

2003	Plantation RM'000	Timber extraction RM'000	Construction RM'000	Venture capital RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>Business Segments</b>										
Revenue from external customers	133,554	6,119	143,249	–	144	2,010	454	–	–	285,530
Inter-segment revenue	1,298	67	4,204	–	725	26,212	–	–	(32,506)	–
<b>Total revenue</b>	<b>134,852</b>	<b>6,186</b>	<b>147,453</b>	<b>–</b>	<b>869</b>	<b>28,222</b>	<b>454</b>	<b>–</b>	<b>(32,506)</b>	<b>285,530</b>
<b>Segment results</b>	<b>57,829</b>	<b>(5,552)</b>	<b>4,870</b>	<b>(23,504)</b>	<b>(1,656)</b>	<b>(3,853)</b>	<b>421</b>	<b>(83)</b>	<b>(1,212)</b>	<b>27,260</b>
Unallocated expenses										(537)
Interest income										2,011
<b>Operating profit after exceptional items</b>										<b>28,734</b>
Interest expense										(6,248)
Share of profit in an associate										244
<b>Profit before tax</b>										<b>22,730</b>
<b>Segment assets</b>	<b>293,202</b>	<b>41,374</b>	<b>105,858</b>	<b>48,560</b>	<b>1,897</b>	<b>23,018</b>	<b>20,478</b>	<b>5,072</b>	<b>–</b>	<b>539,459</b>
Investment in an associate										793
Unallocated assets										71,947
<b>Total assets</b>										<b>612,199</b>
<b>Segment liabilities</b>	<b>5,596</b>	<b>2,018</b>	<b>36,694</b>	<b>85</b>	<b>28</b>	<b>2,549</b>	<b>5</b>	<b>7</b>	<b>–</b>	<b>46,982</b>
Unallocated liabilities										193,916
<b>Total liabilities</b>										<b>240,898</b>
Capital expenditure	4,762	1,112	1,309	3	227	368	–	13	–	7,794
Depreciation and amortisation	(11,279)	(3,044)	(439)	(75)	(140)	(533)	–	–	–	(15,510)
Non-cash expenses other than depreciation and amortisation	(471)	2,001	(501)	(22,190)	–	(359)	–	–	–	(21,520)

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Segmental information (cont'd)

2002	Plantation RM'000	Timber extraction RM'000	Construction RM'000	Venture capital RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>Business Segments</b>										
Revenue from external customers	109,401	18,811	32,826	–	57	1,588	306	–	–	162,989
Inter-segment revenue	–	665	–	–	670	16,345	–	–	(17,680)	–
<b>Total revenue</b>	<b>109,401</b>	<b>19,476</b>	<b>32,826</b>	<b>–</b>	<b>727</b>	<b>17,933</b>	<b>306</b>	<b>–</b>	<b>(17,680)</b>	<b>162,989</b>
<b>Segment results</b>	<b>40,267</b>	<b>884</b>	<b>(1,629)</b>	<b>(14,392)</b>	<b>(1,043)</b>	<b>(2,551)</b>	<b>294</b>	<b>(2)</b>	<b>(1,239)</b>	<b>20,589</b>
Unallocated expenses										(1,164)
Interest income										1,981
<b>Operating profit after exceptional items</b>										<b>21,406</b>
Interest expense										(5,975)
<b>Share of profit in an associate</b>										<b>376</b>
<b>Profit before tax</b>										<b>15,807</b>
<b>Segment assets</b>	<b>311,215</b>	<b>34,254</b>	<b>42,472</b>	<b>48,105</b>	<b>1,324</b>	<b>23,009</b>	<b>11,270</b>	<b>5,030</b>	<b>–</b>	<b>476,679</b>
Investment in an associate										549
Unallocated assets										83,688
<b>Total assets</b>										<b>560,916</b>
Segment liabilities	3,654	2,841	17,207	177	179	2,689	2	1	–	26,750
Unallocated liabilities										165,388
<b>Total liabilities</b>										<b>192,138</b>
Capital expenditure	5,049	14	753	354	459	19,452	–	5,030	–	31,111
Depreciation and amortisation	(12,908)	(1,081)	(257)	(72)	(63)	(644)	–	–	–	(15,025)
Non-cash expenses other than depreciation and amortisation	(832)	(2,578)	(285)	(13,179)	–	(274)	–	–	–	(17,148)



## NOTES TO THE FINANCIAL STATEMENTS

### 32. Related parties

Controlling related party relationships are as follows:

- i) Its subsidiaries as disclosed in Note 2(c).
- ii) The majority shareholders of the Company, Lei Lin Thai, Wong Ah Kow and Tam Kam Too through their direct and indirect shareholding in the Company.

Significant transactions between the Company and the subsidiaries are as follows:

	Company	
	2003 RM'000	2002 RM'000
Management fees income	1,212	1,239
Subscription expenses	2,216	2,180
Interest income	1,993	1,364
Interest expense	246	230

Significant transactions between the Group and its related parties are as follows:

	Group	
	2003 RM'000	2002 RM'000
Significant transactions with companies in which the Directors, Lei Lin Thai, Wong Ah Kow and Tam Kam Too are Directors or have substantial financial interests:		
Purchase of oil palm fresh fruit bunches		
- Pinsah Plantations Sdn. Bhd.	-	6,872
- Renown Yield Sdn. Bhd.	-	613
Rental of premises payable		
- Tung Hup Holdings Sdn. Bhd.	44	201
Sales of hardware and software maintenance fees		
- Pinsah Plantations Sdn. Bhd.	26	-
Significant transaction with a Director of the Company, Lei Lin Thai		
Rental payable	121	121

There are no significant outstanding balances arising from transactions other than normal trade transactions with the related parties identified above.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 33. Financial instruments

#### Financial risk management objectives and policies

The Directors acknowledge that the exposure to credit, interest rate, liquidity and currency risks arise in the normal course of the Group and the Company's business. The Group and the Company have established policies and guidelines which set out their overall business strategies and their general risk management philosophy.

Derivative financial instruments such as futures contracts are used to reduce exposure to fluctuation in commodity prices. While these are subject to the risk of market movements, such changes are generally offset by opposite effects on the item being hedged.

At balance sheet date, the Group does not have any outstanding derivative financial instruments except as disclosed in Note 30.

#### Credit risk

The Group has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis. Credit evaluations are required to be performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of credit extension except for certain credit extended to customers in relation to its money lending activities whereby personal guarantee and/or assignment of contracts proceeds and asset collateral are required to minimise the credit risk exposure.

Placements of surplus funds, if any, are invested into permissible investments such as deposits with licensed financial institutions, discount houses, government papers, investment grade private debt securities, investment-linked and unit trust funds. The associated credit risk is minimal for transactions involving derivative financial instruments, as these contracts are entered into with brokers of commodity exchanges to hedge against the CPO price fluctuations and the anticipated future transactions.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset.

#### Interest rate risk

The Group and the Company are subject to interest rate risk by virtue of their deposit placements with licensed financial institutions and the borrowings that are used to fund the business operations of the Group. The Group and the Company do not have a formal policy of hedging the interest rate risk but instead monitor this on an on-going basis.

Deposits with licensed financial institutions are placed on a short term basis on varying maturity dates. The Group and the Company in borrowing to finance their business operations, consider a mixed portfolio that comprises borrowings at variable and fixed rates. As at 31 December 2003, the Group and the Company have a RM150 million Islamic debts securities outstanding of which carries an annual coupon rate of 3% on the outstanding balance. Other outstanding borrowings of the Group and the Company bear variable interest rates ranging from 1% to 2.5% per annum above the lender banks' cost of funds or base lending rates.

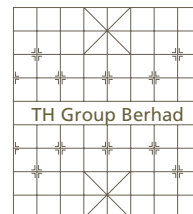
#### Foreign currency risk

Currently the Group and the Company have limited transactions in foreign currency sales and purchases, except for certain quoted and unquoted investments that were acquired using foreign currency. The currency giving rise to this risk is primarily US dollars and GBP. The Group and the Company do not hedge these exposures by purchasing forward currency contracts.

However, the Group and the Company have a policy to hedge its foreign currency transactions, when the foreign exchange risk is assessed as high, by using forward exchange contract.

#### Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Group's and Company's operations and to mitigate the effects of fluctuations in cash flows.



## NOTES TO THE FINANCIAL STATEMENTS

### 33. Financial instruments (cont'd)

#### Effective interest rates and repricing analysis

Group	2003				2002			
	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000
<b>Financial assets</b>								
Term loan receivables	2.97%	20,457	2,765	17,692	3.29%	11,250	5,956	5,294
Deposits with licensed financial institutions	2.76%	71,947	45,026	26,921	2.90%	83,688	37,477	46,211
<b>Financial liabilities</b>								
Term loans	5.95%	30,000	23,000	7,000	6.40%	15,000	–	15,000
Bank overdrafts	7.65%	13,903	13,903	–	7.20%	388	388	–
Islamic debt securities	3.00%	150,000	10,000	140,000	3.00%	150,000	–	150,000
<b>Company</b>								
<b>Financial assets</b>								
Deposits with licensed financial institutions	2.95%	34,774	15,608	19,166	2.87%	59,493	16,272	43,221
Amount due from subsidiaries (interest bearing only)	4.00%	59,321	59,321	–	3.81%	34,799	34,799	–
<b>Financial liabilities</b>								
Term loan	7.50%	15,000	8,000	7,000	6.40%	15,000	–	15,000
Islamic debts securities	3.00%	150,000	10,000	140,000	3.00%	150,000	–	150,000
Amount due to subsidiaries (interest bearing only)	7.00%	3,566	3,566	–	7.40%	3,137	3,137	–

## NOTES TO THE FINANCIAL STATEMENTS

### 33. Financial instruments (cont'd)

#### Fair values

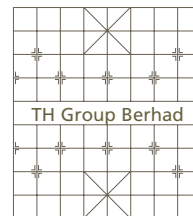
#### Recognised financial instruments

In respect of cash and cash equivalents, current trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet as at 31 December are shown below:

	2003		2002	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Group</b>				
<b>Financial assets</b>				
Quoted investments				
- Unit trust	2,317	2,611	2,269	2,157
- Share in Malaysia	61	66	-	-
- Shares outside Malaysia	11,603	20,611	8,507	8,507
Unquoted investments				
- Not practical to estimate fair value	36,082	*	38,983	*
Trade receivables - Non current	-	-	20,028	20,028
Term loan receivables - Non current	17,692	18,753	5,294	4,800
<b>Financial liabilities</b>				
Term loan - Non current	7,000	7,000	15,000	15,000
Islamic debt securities - Non-current	140,000	130,462	150,000	132,141
<b>Company</b>				
<b>Financial asset</b>				
Quoted investment				
- Unit trust	2,317	2,611	2,269	2,157
<b>Financial liabilities</b>				
Term loan - Non current	7,000	7,000	15,000	15,000
Islamic debt securities - Non-current	140,000	130,462	150,000	132,141

\* See item (b) below.



## NOTES TO THE FINANCIAL STATEMENTS

### 33. Financial instruments (cont'd)

The principal methods and assumptions used in estimating the fair values of other investments are as follows:

#### (a) Quoted investment

The estimated fair value for the quoted unit trusts is based on observable market prices at the balance sheet date.

In respect of the estimated fair value of the shares quoted outside Malaysia, it is stated at the carrying value based on the Directors assessment as mentioned below.

The Directors are of the view that the quoted market price as at 31 December 2003 is not indicative of the fair value of the quoted investment mainly due to the following reasons:-

- (i) the quoted investment was acquired with a view to be held for long term purposes. The investee company is currently in the development of certain bio-generic drugs for global markets in which there is a gestation period before full commercialisation is achieved.
- (ii) the milestones and product development progress achieved to-date, which included the completion of certain manufacturing plants, distribution agreements entered into with established pharmaceutical companies and the continued expansion plans.
- (iii) subsequent to the Company's financial year end, the investee company announced a potential merger with a prominent pharmaceutical company and potential initial public offering in the US capital market. These two announcements were well received by investors and the share price of the investee company on the London Stock Exchange and Singapore Stock Exchange at 2 March 2004 has increased by approximately 46% and 74%, respectively, compared to the closing market price as at 31 December 2003.

Given the nature of the investee company's business and development achieved to-date the Directors believe that there is potential growth in the investee company and therefore the current market price does not reflect the fair value of the investee company. In assessing the fair value of the said quoted investment as at 31 December 2003, the Directors took into consideration of the factors mentioned above and used the fair value per share as derived in the last financial year.

#### (b) Unquoted investments

*Not practical to estimate fair value*

These unquoted investments consist mainly of companies involved in the biotechnology, animation and innovative manufacturing and software development sector. These investee companies are located in various countries, which comprise the United Kingdom, Korea, Singapore and Malaysia and are primarily in development or commercialisation stage. In essence, these companies are presently involved in developing one or more technology products or development of e-commerce applications or animated series which require a gestation period before being profitable.

The Company had made these investments based, amongst others, on the following key criteria:

- Attractive and sustainable business model with strong and unique value proposition;
- Market growth potential and opportunities;
- Established and experienced management team with proven track record;
- Secured intellectual properties in the form of trademarks, patents and etc;
- Established co-investors and alliances that the investee companies have sought with other strategic investment partners; and
- Attractive investment returns.

The investments in these companies are mainly in the form of common stocks or preference shares. Depending on the structure of the investment, the preference shares held are either redeemable or non-redeemable, but are generally convertible into common stocks at the option of the holder at a pre-determined price or conversion ratio.

The Company's strategy is to exit from these investments over a three-to-five year time frame either through divestment of holdings upon the initial public offering exercise by the investee companies or through trade sales or via their merger with other established entities. Currently, the marketability of these investments is restricted to private placements amongst private equity and venture capital companies as well as strategic investors.

## NOTES TO THE FINANCIAL STATEMENTS

### 33. Financial instruments (cont'd)

The Directors are of the opinion that the fair values of these unquoted investments could not be estimated with sufficient reliability using the generally accepted valuation methods such as net tangible assets, price earning multiples or discounted cash flows technique for the following reasons:

- As mentioned in preceding paragraph above, certain of the products/technology are still being developed and has not reached full commercialisation stage. As such, the current financial performance and position of these companies may not be meaningful as no or minimal revenues are being generated. At present, some of these companies continue to incur development costs and have relatively low or minimal net tangible assets.
- Although periodically the Company received status reports and management accounts, the price earning multiples method could not be used as there is inadequate historical track record (eg turnover, profit etc) for the Company to determine the fair value of the investee companies with sufficient reliability.
- Furthermore, the financial and cash flow projections provided by these investee companies are not extended enough to apply the discounted cash flow technique. As these investee companies are only expected to be profitable in the next couple of years, the reliability of these projections are henceforth subject to inherent uncertainties.
- The established valuation techniques mentioned above requires a set of assumptions such as use of a prevailing market rate of interest that are having substantially same characteristic of the investment held by the Company, price earning ratio of similar securities or beta risk rate which are not easily obtainable by the Company without incurring excessive costs.

#### (c) Term loan receivables - Non current

The fair values of the non-current term loan receivables are estimated based on discounted cash flows technique using the prevailing market rates.

#### (d) Term loans

The fair values of the term loans approximate their carrying amounts as the interest rates are on floating rate basis.

#### (e) Islamic debt securities

The estimated fair value is based on over-the-counter bid prices at the balance sheet date.

### 34. Employee Benefits

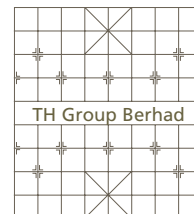
Equity compensation benefits

The Group offers vested share options over ordinary shares to Executive Directors and senior management whose service ranges between 0 to 5 years as provided in the By-laws. Movements in the number of share options held by employees are as follows:

#### Number of options over ordinary shares of RM1 each

Option price	Date of grant	At				At
		1.1.2003	Granted	Exercised	Lapsed	31.12.2003
RM1.82 per share	5.4.1999	3,031,000	–	–	(267,000)	<b>2,764,000</b>
RM1.64 per share	20.8.1999	226,000	–	–	(19,000)	<b>207,000</b>
RM2.67 per share	21.8.2000	2,376,000	–	–	(110,000)	<b>2,266,000</b>
RM1.51 per share	17.8.2001	1,106,000	–	–	(184,000)	<b>922,000</b>
RM1.19 per share	4.6.2002	1,230,000	–	–	(154,000)	<b>1,076,000</b>
RM1.08 per share	4.6.2002	7,245,000	–	(57,000)	(614,000)	<b>6,574,000</b>
RM1.00 per share	28.9.2002	771,000	–	(19,000)	(43,000)	<b>709,000</b>
RM1.00 per share	11.4.2003	–	748,000	(35,000)	(130,000)	<b>583,000</b>
		15,985,000	748,000	(111,000)	(1,521,000)	<b>15,101,000</b>

All the outstanding options have an expiry date of 3 March 2004 or further extended with approval from the regulatory authorities and shareholders of the Company.



## NOTES TO THE FINANCIAL STATEMENTS

### 34. Employee Benefits (cont'd)

Details of the employee share options exercised during the period are as follows:

Exercise date	No of shares	Issue price RM	Total proceeds RM	Fair value RM
31 July 2003	19,000	1.00	19,000	19,570
4 November 2003	15,000	1.08	16,200	18,600
6 November 2003	12,000	1.08	12,960	15,240
	30,000	1.00	30,000	38,100
11 November 2003	15,000	1.08	16,200	18,150
13 November 2003	7,000	1.08	7,560	8,400
17 November 2003	8,000	1.08	8,640	8,640
9 December 2003	5,000	1.00	5,000	5,500
	111,000		115,560	132,200

The Group received total proceeds of RM115,560 of which RM111,000 and RM4,560 was credited to Share Capital and Share Premium Accounts, respectively.

### 35. Acquisition of subsidiaries

On 23 January 2003, the Company acquired the entire issued and paid-up share capital of THG Capital Sdn. Bhd. (formerly known as Vertex Avenue Sdn. Bhd.) comprising 2 ordinary shares of RM1 each fully paid-up and further subscribed to 8 new ordinary shares of RM1 each for a total cash consideration of RM10. During the year, THG Capital Sdn. Bhd. had also issued 22,431,915 redeemable preference shares of RM0.01 each at a premium of RM0.99 for cash for which the Company had further subscribed.

On 27 January 2003, the Company further subscribed to 150,000 ordinary shares of RM1 each in iTech Worldwide Sdn. Bhd. for a cash consideration of RM150,000.

The effect on the results for the year of the Group in respect of these subsidiaries were not presented as it was not material.

In June 2003, THG Corporation Sdn. Bhd. and PT THG Kontrak, wholly owned subsidiary, have jointly established a wholly owned subsidiary PT THG Niaga in Indonesia. The shareholdings in PT THG Niaga are 75% owned by THG Corporation Sdn. Bhd. and 25% owned by PT THG Kontrak.

## NOTES TO THE FINANCIAL STATEMENTS

### 36. Significant events

- (a) The Company had on 24 July 2003 and 7 August 2003 announced that it had entered into sale and purchase agreements with various parties to acquire the entire equity interests in Asiaprise Biotech Sdn. Bhd. (formerly known as Asiaprise Sdn. Bhd.) ("APSB") for a total purchase consideration of RM43.0 million to be satisfied by RM9,736,624 in cash and the issuance of 30,239,433 new ordinary shares of RM1.00 each by TH Group ("THG") at an issue price of RM1.10 per share.

Pursuant to the acquisition of APSB, amongst other conditions, THG acquiring not less than 80% of APSB, if in the event any of the sale and purchase agreements cannot be completed successful but THG is still able to acquire not less than 80% equity interest in APSB, THG will be obliged under Part II of the Malaysian Code on Take-Overs and Mergers 1998 ("Code") and Section 33B(2) of the Securities Commission Act 1993 to extend a mandatory offer for the remaining ordinary shares of RM1.00 each in APSB it does not own.

Pursuant thereto, THG has sought an exemption from the SC from having to extent a mandatory offer under Practice Note 2.9.6 of the Code in the event any of the sale and purchase agreements are unable to be completed ("Waiver") and SC had vide its letter dated 17 February 2004 approved the Waiver.

- (b) The Company had on 7 October 2003, announced that the Company proposes to implement a new employee share option scheme ("ESOS") for eligible employees and executive directors of TH Group and its subsidiaries, save for those subsidiaries that are dormant, upon expiry of its existing ESOS. Its existing ESOS will expire on 3 March 2004.

Both the above proposal has been approved by SC vide its letter dated 1 March 2004.

### 37. Events subsequent to balance sheet date

On 17 February 2004, iTech Worldwide Sdn. Bhd., a wholly owned subsidiary of the Company acquired the entire issued and paid up share capital of Hyper Triumph Sdn. Bhd. comprising 2 ordinary shares of RM1.00 each fully paid up for a total cash consideration of RM2.

### 38. Change in accounting policies and prior year adjustments

#### *Change in accounting policies*

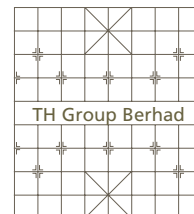
In the current financial year, the Group and the Company adopted three new MASB Standards. The adoption of these new standards resulted in change in accounting policies as follows:

- (a) MASB 25, Income Taxes which has been adopted retrospectively. Comparative figures have been adjusted to reflect the change in this accounting policy; and
- (b) MASB 27, Borrowing Costs and MASB 29, Employee Benefits which have been adopted retrospectively. The adoption of these Standards have no material impact on the financial statements.

The adoption of MASB 25 has resulted in the recognition in full of all taxable and deductible temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications the timing differences would reverse thereafter. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).

This change in accounting policies, applied retrospectively, has the following impact on results:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Net profit before change in accounting policy	7,603	2,508	10,750	4,123
Effect of adopting MASB 25	(1,796)	1,237	-	-
Net profit for the year	5,807	3,745	10,750	4,123



## NOTES TO THE FINANCIAL STATEMENTS

### 38. Change in accounting policies and prior year adjustments (cont'd)

#### *Prior year adjustments*

Change in accounting policies

The change in accounting policies due to the adoption of MASB 25 has been accounted for by restating comparatives and adjusting the opening balance of retained profits at 1 January 2002 as disclosed in Note 39 and the statement of changes in equity respectively.

### 39. Comparative figures

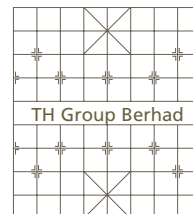
The following comparative figures have been restated to reflect the change in accounting policies as explained in Note 38 to the financial statements.

	Group	
	As restated RM'000	As previously stated RM'000
<b>Income statement</b>		
Profit before tax	15,807	15,807
Tax expense	(11,081)	(12,444)
Profit after tax	4,726	3,363
Minority interests	(981)	(855)
Net profit for the year	3,745	2,508
<b>Earnings per ordinary share (sen)</b>		
- Basic	1.05	0.70
- Diluted	1.03	0.69
<b>Balance Sheet</b>		
Deferred tax assets	1,610	-
Reserves	(54,591)	(15,345)
Deferred tax liabilities	66,101	23,434
Minority shareholders' interest	8,754	10,565
Net tangible assets per share (sen)	84.53	95.55
<b>Statement of Changes in Equity</b>		
Retained profit at 1 January 2002	94,315	92,998
Retained profit at 31 December 2002	96,075	93,521
Revaluation reserve at 1 January 2002	111,961	153,761
Revaluation reserve at 31 December 2002	111,382	153,182

## LIST OF GROUP PROPERTIES as at 31 December 2003

### (a) Plantation Properties

Location	Status	Date of Acquisition / Revaluation	Tenure	Area (hectare)	Description	Net Book Value as at 31 December 2003 RM'000
<b><i>Tung Hup Enterprises Sdn Bhd</i></b>						
Ladang Pin 1 & 5, Sg. Pin Kinabatangan Sabah	Leasehold	29/08/2001	99 years expiring			<b>83,833</b>
		29/08/2001	• 2077	• 398	• Cultivated with oil palm	
		29/08/2001	• 2081	• 40	• Cultivated with oil palm	
		29/08/2001	• 2082	• 727	• Cultivated with oil palm	
		29/08/2001	• 2084	• 1406	• Cultivated with oil palm	
		29/08/2001	• 2085	• 763	• Cultivated with oil palm	
		29/08/2001	• 2086	• 396	• Cultivated with oil palm	
		29/08/2001	• 2087	• 181	• Cultivated with oil palm	
		29/08/2001	• 2092	• 70	• Cultivated with oil palm	
		29/08/2001	• 2099	• 23.51	• Cultivated with oil palm	
		29/08/2001	• 2097	• 6.10	• Cultivated with oil palm	
		14/08/2001	• 2097	• 6.06	• Cultivated with oil palm	
Ladang Sapi Sg. Sapi Labuk-Sugut Sabah	Leasehold	11/09/2001	99 years expiring 2086	202	Cultivated with oil palm	<b>2,925</b>
Sg. Latangan Kinabatangan Sabah	Leasehold	01/08/1999	99 years expiring 2098	180	Cultivated with oil palm	<b>13,276</b>
<b><i>Magain Enterprise Sdn Bhd</i></b>						
Sg. Latangan Kinabatangan Sabah	Leasehold	07/07/1999	99 years expiring - 2094	- 1214	Cultivated with oil palm	<b>8,016</b>
		04/08/2000	- 2098	- 10	Cultivated with oil palm	
		04/08/2000	- 2098	- 10	Cultivated with oil palm	
		01/03/2000	- 2099	- 12	Cultivated with oil palm	
Sg. Lamag Kinabatangan Sabah	Leasehold	07/07/1999	99 years expiring 2094	- 20	Cultivated with oil palm	
Kg Padulan Kinabatangan Sabah	Leasehold	07/07/1999	99 years expiring 2097	- 25	Cultivated with oil palm	
<b><i>Sri Insani Plantations (Sabah) Sdn Bhd</i></b>						
Ladang Pin 2 & 3 Sg. Lamag Kinabatangan Sabah	Leasehold	29/08/2001	99 years expiring 2080	3,987	Cultivated with oil palm	<b>83,702</b>
<b><i>Tung Hup Kelapa Sawit Sdn Bhd</i></b>						
Ladang Pin 4, Sg. Pin Kinabatangan Sabah	Leasehold	29/08/2001	99 years expiring 2077	2,023	Cultivated with oil palm	<b>38,918</b>



## LIST OF GROUP PROPERTIES as at 31 December 2003

Location	Status	Date of Acquisition / Revaluation	Tenure	Area (hectare)	Description	Net Book Value as at 31 December 2003 RM'000
<b>Marceda Corporation Sdn Bhd</b>						
Dam Road Lahad Datu Sabah	Leasehold	03/04/1998 03/04/1998	99 years expiring - 2081 - 2082	- 15 - 21	Cultivated with cocoa	<b>420</b>
<b>Rimijaya Sdn Bhd</b>						
Sg. Pin Kinabatangan Sabah	Leasehold	07/07/1999	99 years expiring 2096	131	Cultivated with oil palm	<b>2,128</b>
Sg. Pin Kinabatangan Sabah	Leasehold	18/12/2000	99 years expiring 2099	9	Cultivated with oil palm	<b>105</b>
<b>Sekarharum Sdn Bhd</b>						
Mile 79 Telupid Labuk-Sugut Sabah	Leasehold	03/04/1998	99 years expiring 2095	96	Cultivated with oil palm	<b>829</b>
<b>Tung Hup Palm Oil Mill Sdn Bhd</b>						
Sg. Lamag Kinabatangan Sabah	Leasehold	04/09/2001	99 years expiring 2080	60	Palm oil mill and labour quarters	<b>29,757</b>
<b>Syarikat Tung Hup Plantations Sdn Bhd</b>						
Segama Lahad Datu Sabah	Leasehold	03/04/1998	99 years expiring 2074	112	Cultivated with cocoa	<b>1,798</b>
Ulu Segama Lahad Datu Sabah	Leasehold	03/04/1998	99 years expiring 2075	22	Cultivated with oil palm	<b>431</b>
Mile 13 Sandakan - Lahad Datu Highway Sabah	Leasehold	03/04/1998	99 years expiring 2075	51	Cultivated with cocoa	<b>1,275</b>
Kg Kenangan Segama Lahad Datu Sabah	Leasehold	03/04/1998	99 years expiring 2066	8	Cultivated with cocoa	<b>586</b>
Mile 2 Dam Road Lahad Datu Sabah	Leasehold	08/10/1998	999 years expiring 2912	0.2	Homestead land with a bungalow	<b>275</b>

## LIST OF GROUP PROPERTIES as at 31 December 2003

### (b) Industrial Properties

Location	Status	Tenure	Land area (sq m)	Existing Usage	Approximate Age of Buildings (year)	Net Book Value as at 31 December 2003 RM'000
<b><i>Tung Hup Enterprises Sdn Bhd</i></b>						
Lot 49 - 53 Cocoa Export Centre Lahad Datu Sabah	Leasehold	99 years expiring 2076	834	5 units of single storey warehouses	13	729
<b><i>Syarikat Tawasa Sdn Bhd</i></b>						
Lot 2 - 5 Block C Bandar Fajar Phase I Leila Road Sandakan Sabah	Leasehold	Sub-division of title not available yet	151	4 units of 3-storey shop office building	4	3,821

### (c) Commercial Property

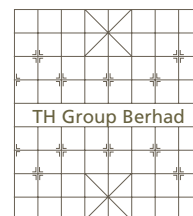
#### ***TH Group Berhad***

Cyberjaya	Freehold	N/A	5,453	3-storey office complex	2	18,286
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### (d) Land for Property Development

#### ***Suria Semerah Sdn Bhd***

Alor Setar	Freehold	N/A	0.2727 Hectar	Dormant	1	5,043
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## ANALYSIS OF SHAREHOLDINGS as at 27 february 2004

<b>Authorised Share Capital</b>	:	RM600,000,000
<b>Issued and Paid-up Capital</b>	:	RM356,291,907
<b>Class of Shares</b>	:	Ordinary shares of RM1.00 each
<b>Voting Rights</b>	:	One Vote per ordinary share

<b>Size of Shareholdings</b>	<b>No. of Shareholders</b>	<b>% of Shareholders</b>	<b>No. of Shares Held</b>	<b>% of Shareholding</b>
1-1000	6,115	36.27	5,836,659	1.64
1,001 to 10,000	9,155	54.31	37,311,642	10.47
10,001 to 100,000	1,478	8.77	38,694,648	10.86
100,001 to less than 5%	107	0.63	90,556,311	25.42
5% and above	3	0.02	183,892,647	51.61
<b>TOTAL</b>	<b>16,858</b>	<b>100.00</b>	<b>356,291,907</b>	<b>100.00</b>

### LIST OF DIRECTORS' SHAREHOLDINGS AS AT 27 FEBRUARY 2004

<b>NAME</b>	<b>NO. OF SHARES</b>			
	<b>DIRECT</b>	<b>%</b>	<b>INDIRECT</b>	<b>%</b>
1. Lei Lin Thai	89,147,804	25.02	74,037,242 *	20.79
2. Wong Ah Kow	23,640,386	6.64	72,082,052 +	20.24
3. Tam Kam Too	14,444,341	4.05	593,074 #	0.17
4. Michael Ting Sii Ching	-	-	-	-
5. Abu Bakar Bin Abdul Karim	-	-	-	-
6. Tunku Ahmad Burhanuddin bin Tunku Datuk Seri Adnan	-	-	-	-
7. Rohana Tan Sri Mahmood	-	-	-	-

#### NOTES

- \* Deemed substantial interest through Linta Holdings Sdn Bhd and Tung Hup Holdings Sdn Bhd
- + Deemed substantial interest through See Chuan Holdings Sdn Bhd and Tung Hup Holdings Sdn Bhd
- # Deemed substantial interest through Kam Joo Holdings Sdn Bhd. Direct shareholding included shares held by CIMSEC Nominees (Tempatan) Sdn Bhd

### SUBSTANTIAL SHAREHOLDINGS AS AT 27 FEBRUARY 2004

<b>NAME</b>	<b>NO. OF SHARES</b>			
	<b>DIRECT</b>	<b>%</b>	<b>INDIRECT</b>	<b>%</b>
1 Lei Lin Thai	89,147,804	25.02	74,037,242 *	20.79
2 Tung Hup Holdings Sdn Bhd	71,104,457	19.96	-	-
3 Wong Ah Kow	23,640,386	6.64	72,082,052 +	20.24
4 Linta Holdings Sdn Bhd	2,932,785	0.82	71,104,457 #	19.96
5 See Chuan Holdings Sdn Bhd	977,595	0.27	71,104,457 #	19.96
6 Siew Kim Kee	-	-	72,082,052 +	20.24

#### NOTES

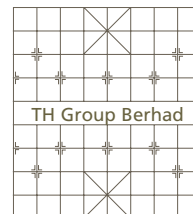
- \* Deemed substantial interest through Linta Holdings Sdn Bhd and Tung Hup Holdings Sdn Bhd
- + Deemed substantial interest through See Chuan Holdings Sdn Bhd and Tung Hup Holdings Sdn Bhd
- # Deemed substantial interest through Tung Hup Holdings Sdn Bhd

## LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS

as at 27 february 2004

No.	Name	No. of Shareholdings	%
1	LEI LIN THAI *	89,147,804	25.02
2	TUNG HUP HOLDINGS SDN BHD *	71,104,457	19.96
3	WONG AH KOW *	23,640,386	6.64
4	TAM KAM TOO	9,420,140	2.64
5	PANGKAT MAJU SDN BHD	5,100,000	1.43
6	SELECTLINE SDN BHD	5,000,000	1.40
7	LEONG ON	5,024,200	1.41
8	CHIN KIM LIN	4,165,401	1.17
9	EMERALD ARENA SDN BHD	4,000,000	1.12
10	NG TEN SONG @ NG SZIT CHONG	3,363,777	0.94
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD (TAM KAM TOO)	3,349,467	0.94
12	NG SAK TUN	3,048,670	0.86
13	WONG CHIUN WEN	3,000,000	0.84
14	LEONG KONG FEE	2,943,997	0.83
15	LINTA HOLDINGS SDN BHD	2,932,785	0.82
16	LEONG CHIN KAM	2,540,000	0.71
17	CIMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NG SHEK KIM)	2,315,270	0.65
18	NG AH LOY	2,223,770	0.62
19	LEONG KONG SENG	2,074,000	0.58
20	WONG CHIUN CHIAN	2,000,000	0.56
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD (NG TEN SONG @ NG SZIT CHONG)	1,674,734	0.47
22	NIK MOHAMED DIN BIN NIK YUSOFF	1,600,000	0.45
23	AM NOMINEES (TEMPATAN) SDN BHD (AM FINANCE BERHAD)	1,060,100	0.30
24	HONG LEONG FINANCE BERHAD (PLEDGED SECURITIES ACCOUNT FOR LEONG KAM WING @ LEONG KAM WENG)	1,005,000	0.28
25	SEE CHUAN HOLDINGS SDN BHD	977,595	0.27
26	AM NOMINEES (TEMPATAN) SDN BHD (AMMERCHANT BANK BERHAD)	924,100	0.26
27	NG KON CHANG	885,770	0.25
28	RHB NOMINEES (TEMPATAN) SDN BHD (RHB ASSET MANAGEMENT SDN BHD FOR PERTUBUHAN KEBANGSAAN MELAYU BERSATU ATAU UMNO)	750,000	0.21
29	WISDOM CONSOLIDATED SDN BHD	651,730	0.18
30	MAYBAN NOMINEES (TEMPATAN) SDN BHD (MAYBAN TRUSTEE BERHAD FOR PUBLIC AGGRESIVE GROWTH FUND (N14011940110))	597,600	0.17

\* SUBSTANTIAL SHAREHOLDERS



## ANALYSIS OF WARRANTHOLDINGS as at 27 february 2004

<b>No. of 2002/2007 Warrants</b>	:	142,462,363 outstanding
<b>Exercise Price</b>	:	RM1.25
<b>Expiry Date</b>	:	31 January 2007

**Exercise Rights:** The warrants are in registered form and constituted by a deed poll and entitle the registered holders to subscribe for one (1) ordinary share of RM1.00 each in the Company at a price of RM1.25 per ordinary share for every warrant held subject to adjustments in accordance with the deed poll.

<b>Size of Warrantholdings</b>	<b>No. of Warrantholder</b>	<b>% of Warrantholder</b>	<b>No. of Warrants Held</b>	<b>% of Warrantholding</b>
1-1000	1,815	30.00	1,710,159	1.20
1,001 to 10,000	3,410	56.35	13,603,100	9.55
10,001 to 100,000	733	12.11	22,833,973	16.03
100,001 to less than 5%	91	1.51	33,159,131	23.27
5% and above	2	0.03	71,156,000	49.95
<b>TOTAL</b>	<b>6,051</b>	<b>100.00</b>	<b>142,462,363</b>	<b>100.00</b>

### LIST OF DIRECTORS' WARRANTHOLDINGS AS AT 27 FEBRUARY 2004

<b>NAME</b>	<b>NO. OF WARRANTS</b>			
	<b>DIRECT</b>	<b>%</b>	<b>INDIRECT</b>	<b>%</b>
1. Lei Lin Thai	49,156,000	34.50	23,174,000 *	16.26
2. Wong Ah Kow	5,635,400	3.96	22,392,000 +	15.72
3. Tam Kam Too	1,001,000	0.70	238,000 #	0.17
4. Michael Ting Sii Ching	–	–	–	–
5. Abu Bakar Bin Abdul Karim	–	–	–	–
6. Tunku Ahmad Burhanuddin bin Tunku Datuk Seri Adnan	–	–	–	–
7. Rohana Tan Sri Mahmood	–	–	–	–

#### NOTES

- \* Deemed substantial interest through Linta Holdings Sdn Bhd and Tung Hup Holdings Sdn Bhd
- + Deemed substantial interest through See Chuan Holdings Sdn Bhd and Tung Hup Holdings Sdn Bhd
- # Deemed substantial interest through Kam Joo Holdings Sdn Bhd. Direct shareholding included shares held by CIMSEC Nominees (Tempatan) Sdn Bhd

### SUBSTANTIAL WARRANTHOLDINGS AS AT 27 FEBRUARY 2004

<b>NAME</b>	<b>NO. OF WARRANTS</b>			
	<b>DIRECT</b>	<b>%</b>	<b>INDIRECT</b>	<b>%</b>
1. Lei Lin Thai	49,156,000	34.50	23,174,000 *	16.26
2. Tung Hup Holdings Sdn Bhd	22,000,000	15.44	–	–
3. Wong Ah Kow	5,635,400	3.96	22,392,000 +	15.72
4. Linta Holdings Sdn Bhd	1,174,000	0.82	22,000,000 #	15.44
5. See Chuan Holdings Sdn Bhd	392,000	0.28	22,000,000 #	15.44
6. Siew Kim Kee	–	–	22,392,000 +	15.72

#### NOTES

- \* Deemed substantial interest through Linta Holdings Sdn Bhd and Tung Hup Holdings Sdn Bhd
- + Deemed substantial interest through See Chuan Holdings Sdn Bhd and Tung Hup Holdings Sdn Bhd
- # Deemed substantial interest through Tung Hup Holdings Sdn Bhd

## LIST OF TOP THIRTY (30) LARGEST WARRANTHOLDERS

as at 27 february 2004

No.	Name	Shareholdings	%
1	LEI LIN THAI*	49,156,000	34.50
2	TUNG HUP HOLDINGS SDN BHD *	22,000,000	15.44
3	WONG AH KOW	5,635,400	3.96
4	NG TEN SONG @ NG SZIT CHONG	2,009,680	1.41
5	LEONG ON	1,860,000	1.38
6	LINTA HOLDINGS SDN BHD	1,174,000	0.82
7	HONG LEONG FINANCE BERHAD (PLEDGED SECURITIES ACCOUNT FOR LEONG KAM WING @ LEONG KAM WENG)	1,030,000	0.72
8	TAM KAM TOO	1,001,000	0.70
9	TCL NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR SIM CHIN KUAN)	845,800	0.59
10	NG SAK TUN	821,151	0.58
11	NIK MOHAMED DIN BIN NIK YUSOFF	652,000	0.46
12	MOHAMAD BIN DERAMAN	644,500	0.42
13	LIM KAH ENG	588,100	0.41
14	GOH LEONG CHUAN	500,000	0.35
15	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM KAH ENG)	472,000	0.33
16	HU JUAH LANG	463,100	0.33
17	TAN AH LOY @ TAN MAY LING	450,000	0.32
18	YAP SOON HENG	440,900	0.31
19	SEE CHUAN HOLDINGS SDN BHD	392,000	0.28
20	HONG LEONG FINANCE BERHAD (PLEDGED SECURITIES ACCOUNT FOR CHUAH AI NGOR)	377,900	0.27
21	YIP YUEN YU	377,000	0.26
22	FOTO EKONOLAB (K K) SDN BHD	355,000	0.25
23	TUNKU PUTRI BARIRAH BINTI TUNKU SULONG	350,000	0.25
24	WENDY WONG SOON SOON	334,000	0.23
25	WONG JOON MOI	313,000	0.22
26	RC NOMINEES (TEMPATAN) SDN BHD (LEI SOO FONG (SBB SDK))	305,000	0.21
27	AMSEC NOMINEES (TEMPATAN) SDN BHD (KIM ENG SEC PTE LTD FOR MICHELE SHARMINI RASANAYAGAM)	300,000	0.21
28	HDM NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NG WYM IN (MEMO))	300,000	0.21
29	LAU CHIN PARK	300,000	0.21
30	SUSIE CHAI LEE SU	300,000	0.21

\* SUBSTANTIAL WARRANT HOLDERS



**TH GROUP BERHAD**

183467-X

## FORM OF PROXY

No. of ordinary shares held \_\_\_\_\_

*(Before completing the form please refer to the notes below)*

I/We \_\_\_\_\_  
*(full name in block letters)*

of \_\_\_\_\_  
*(full address)*

being a member of TH GROUP BERHAD hereby appoint \_\_\_\_\_  
*(full name)*

of \_\_\_\_\_  
*(full address)*

or failing him, the Chairman of the Meeting\* as my/our proxy to vote for me/us and on my/our behalf, at the Fifteenth Annual General Meeting of the Company, to be held at Berjaya Hall, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 21 April 2004 at 10.30 a.m., or at any adjournment thereof. My/our proxy is to vote as indicated below:-

Resolutions	For	Against
<b>Ordinary Business</b>		
1 To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2003 together with the Auditors' Report thereon.		
2 To approve the declaration of a final dividend of 3% less 28% income tax for the financial year ended 31 December 2003.		
3 To sanction the payment of Directors' Fees for the financial year ended 31 December 2003.		
4 To re-elect Tam Kam Too who shall retire pursuant to Article 63A of the Company's Articles of Association.		
5 To re-elect Abu Bakar Bin Abdul Karim who shall retire pursuant to Article 68 of the Company's Articles of Association.		
6 To re-elect Michael Ting Sii Ching who shall retire pursuant to Article 68 of the Company's Articles of Association.		
7 To re-elect Tunku Ahmad Burhanuddin bin Tunku Datuk Seri Adnan who shall retire pursuant to Article 68 of the Company's Articles of Association.		
8 To re-elect Rohana Tan Sri Mahmood who shall retire pursuant to Article 68 of the Company's Articles of Association.		
9 To re-appoint Messrs. KPMG as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
<b>As Special Business:</b>		
10 Authority to allot shares pursuant to Section 132D of the Companies, Act, 1965.		
11 To approve the shareholders' mandate for recurrent related party transactions entered into with Tung Hup Holdings Sdn Bhd and its subsidiaries pursuant to Paragraph 10.09 of the MSEC Listing Requirements.		
12 To approve the shareholders' mandate for recurrent related party transactions entered into with Lei Lin Thai and Linta Holdings Sdn Bhd, pursuant to Paragraph 10.09 of the MSEC Listing Requirements.		
13 To approve the shareholders' mandate for recurrent related party transactions entered into with Rohana Tan Sri Mahmood pursuant to Paragraph 10.09 of the MSEC Listing Requirements.		

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

\_\_\_\_\_  
Signature/Seal

\* Delete the words "or failing him, the Chairman of the Meeting" if you wish to appoint some other person(s) to be your proxy.

Fold this flap for sealing

Affix  
Stamp

**Company Secretary**

Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur

1st fold here

2nd fold here

**Notes:-**

1. A member entitled to attend and vote at the Meeting is entitled to appoint another person to attend and vote in his stead.
2. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Act shall not apply to the Company.
3. A holder may appoint more than two proxies to attend at the same meeting. Where a holder appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or in the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney duly authorised in that behalf.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time fixed for holding the meeting or at any adjournment thereof.

## REQUEST FORM / BORANG PERMOHONAN / 申請表格

### Dear Shareholder,

We are pleased to inform you that the Bahasa Malaysia/Chinese version of the Annual Report 2003 is available on request. If you wish to receive a copy, please complete this form and return it to us by April 2004.

### *Pemegang Saham Yang Dihormati,*

*Dengan sukacitanya, kami ingin memaklumkan bahawa Laporan Tahunan 2003 dalam Bahasa Malaysia/Bahasa Cina akan dihantar atas permintaan Tuan/Puan. Jika Tuan/Puan ingin menerimanya sila lengkapkan borang ini dan kembalikan kepada kami dalam bulan April 2004.*

敬愛的股東，

謹此告知，若欲索取 2003 年長年報告，國語版/中文版，請將此表格填妥，並於 2004 年 4 月之前寄回本公司。

Please send me / us a copy of the TH Group Berhad Annual Report 2003 in Bahasa Malaysia/Chinese.

*Sila hantar kepada saya/kami senaskah terjemahan Laporan Tahunan TH Group Berhad 2003.*

請寄一本 TH Group Berhad 2003 年國語 / 中文版長年報告。

Name / Nama / 姓名 : \_\_\_\_\_

Address / Alamat / 地址 : \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature of Shareholder /  
Tandatangan Pemegang Saham /  
股東的簽名



**TH Group Berhad**  
C/o Malaysian Share Registration Services Sdn Bhd  
7th Floor, Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur  
Malaysia