financial statements

directors' report

for the year ended 31 December 2004

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 2004.

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
Profit before tax	40,221	13,968
Taxation	(19,893)	(9,710)
Profit after tax	20,328	4,258
Minority interest	(2,035)	–
Net profit attributable to shareholders	18,293	4,258

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 3% less tax amounting to RM8,349,510 on 9 June 2004 in respect of the financial year ended 31 December 2003.

The final dividend recommended by the Directors in respect of the financial year ended 31 December 2004 is 3% less tax amounting to RM8,349,510.

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
Michael Ting Sii Ching
Tunku Ahmad Burhanuddin bin Tunku Datuk Seri Adnan
Rohana Tan Sri Mahmood

directors' report

for the year ended 31 December 2004

DIRECTORS OF THE COMPANY (CONT'D)

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 1.1.2004	Bought	Sold	At 31.12.2004
In the Company				
Direct interest				
Lei Lin Thai	89,147,804	–	–	**89,147,804**
Wong Ah Kow	23,640,386	–	–	**23,640,386**
Tam Kam Too	12,769,607	–	–	**12,769,607**
Indirect interest				
By virtue of shares held by Linta Holdings Sdn. Bhd.:				
Lei Lin Thai	2,932,785	–	–	**2,932,785**
By virtue of shares held by See Chuan Holdings Sdn. Bhd.:				
Wong Ah Kow	977,595	–	–	**977,595**

	Number of ordinary shares of RM1 each			
	At 1.1.2004	Bought	Sold	At 31.12.2004
In the Company				
Indirect interest				
By virtue of shares held by Kam Joo Holdings Sdn. Bhd.:				
Tam Kam Too	593,074	–	–	**593,074**
By virtue of shares held by Tung Hup Holdings Sdn. Bhd.:				
Lei Lin Thai)				
Wong Ah Kow)	71,104,457	–	–	**71,104,457**

directors' report

for the year ended 31 December 2004

DIRECTORS OF THE COMPANY (CONT'D)

	Number of ordinary shares of RM1 each			
	At 1.1.2004	Bought	Sold	At 31.12.2004
In the subsidiaries				
Indirect interest				
By virtue of shares held by Tung Hup (Contracting) Sdn. Bhd.:				
Sunshine Paradigm Sdn. Bhd.				
Lei Lin Thai)				
Wong Ah Kow)	700,000	–	–	**700,000**
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	–	–	**3,000,000**
Tam Kam Too)				
By virtue of shares held by Besatim Sdn. Bhd.:				
Kaling Sdn. Bhd.				
Lei Lin Thai)				
Wong Ah Kow)	25,000	–	–	**25,000**
Tam Kam Too)				

	Number of ordinary shares of RM1 each			
	At 1.1.2004	Bought	Sold	At 31.12.2004
In the subsidiaries				
Indirect interest				
By virtue of shares held by the Company:				
Technology Asia Ventures Sdn. Bhd.				
Lei Lin Thai)				
Wong Ah Kow)	1,400,028	–	–	**1,400,028**
Tam Kam Too)				
Amazon Plus Sdn. Bhd.				
Lei Lin Thai)				
Wong Ah Kow)	2	245	–	**247**
Tam Kam Too)				

DIRECTORS OF THE COMPANY (CONT'D)

	Number of ordinary shares of RM1 each			
	At 1.1.2004	Bought	Sold	At 31.12.2004
In the subsidiaries				
Indirect interest				
By virtue of shares held by iTech Worldwide Sdn. Bhd.:				
THG E-Net Solutions Sdn. Bhd.				
Lei Lin Thai) Wong Ah Kow) Tam Kam Too)	730,653	3,232,402	–	**3,963,055**

	Number of Redeemable Cumulative Preference Shares of RM1 each			
	At 1.1.2004	Bought	Sold	At 31.12.2004
In the subsidiaries				
Indirect interest				
By virtue of shares held by the Company:				
Technology Asia Ventures Sdn. Bhd.				
Lei Lin Thai) Wong Ah Kow) Tam Kam Too)	19,435,288	–	–	**19,435,288**

	Option price	Number of options over ordinary shares of RM1 each				
		At 1.1.2004	Granted	Exercised	Lapsed	At 31.12.2004
TH Group Berhad						
Lei Lin Thai	RM2.67	500,000	–	–	500,000	**–**
	RM1.08	750,000	–	–	750,000	**–**
	RM1.00	–	600,000	–	–	**600,000**
Wong Ah Kow	RM2.67	500,000	–	–	500,000	**–**
	RM1.08	750,000	–	–	750,000	**–**
	RM1.00	–	200,000	–	–	**200,000**

directors' report

for the year ended 31 December 2004

DIRECTORS OF THE COMPANY (CONT'D)

	At 1.1.2004	Subscribed/ Bought	Sold	At 31.12.2004
	Number of warrants			
TH Group Berhad				
Direct interest				
Lei Lin Thai	49,156,000	–	–	**49,156,000**
Wong Ah Kow	5,635,400	–	(3,030,000)	**2,605,400**
Tam Kam Too	1,001,000	–	–	**1,001,000**

	At 1.1.2004	Subscribed/ Bought	Sold	At 31.12.2004
	Number of warrants			
TH Group Berhad				
Indirect interest				
By virtue of shares held by Linta Holdings Sdn. Bhd.:				
Lei Lin Thai	1,174,000	–	–	**1,174,000**
By virtue of shares held by See Chuan Holdings Sdn. Bhd.:				
Wong Ah Kow	392,000	–	(78,000)	**314,000**
By virtue of shares held by Kam Joo Holdings Sdn. Bhd.:				
Tam Kam Too	238,000	–	–	**238,000**
By virtue of shares held by Tung Hup Holdings Sdn. Bhd.:				
Lei Lin Thai)				
Wong Ah Kow)	22,000,000	–	–	**22,000,000**

None of the other Directors holding office at 31 December 2004 had any interest in the shares of the Company and of its related corporations during the financial year.

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
25 February 2004	25,000	1.00	25,000
1 March 2004	6,000	1.08	6,480
1 March 2004	4,000	1.00	4,000
4 March 2004	10,000	1.00	10,000
	45,000		45,480

On 1 April 2004, the Company issued 30,239,433 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share as part of the total purchase consideration to acquire the entire issued and paid-up capital in Asiaprise Biotech Sdn. Bhd. (formerly known as Asiaprise Sdn. Bhd.)

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

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.

directors' report

for the year ended 31 December 2004

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 which became effective on 4 March 1999 has expired on 3 March 2004. Upon expiry of the existing ESOS, the Company has implemented a new ESOS. The ESOS became effective on 28 July 2004 when the last of the requisite approvals was obtained and is valid for a period of five (5) years.

The shareholders of the Company had approved certain revisions to the By-laws of the ESOS at the Extraordinary General Meeting held on 21 April 2004 to reflect the amendment to the Bursa Malaysia Listing Requirement, as well as to render consistency throughout.

The main features of the ESOS are:

(a) The total number of new ordinary shares of RM1.00 each which may be made available under the ESOS shall not exceed ten per cent (10%) of the issued and paid-up ordinary share capital of the Company at any one time.

(b) The option price for each new share shall be the higher of the weighted average market price of the shares of the Company as shown in the daily official list issued by the Bursa Malaysia 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.

(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.

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

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

		Number of options over ordinary shares of RM1 each				
Option price	**Date of grant**	**At 1.1.2004**	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2004**
RM1.82 per share	5.4.1999	2,764,000	–	–	2,764,000	**–**
RM1.64 per share	20.8.1999	207,000	–	–	207,000	**–**
RM2.67 per share	21.8.2000	2,266,000	–	–	2,266,000	**–**
RM1.51 per share	17.8.2001	922,000	–	–	922,000	**–**
RM1.19 per share	4.6.2002	1,076,000	–	–	1,076,000	**–**
RM1.08 per share	4.6.2002	6,574,000	–	6,000	6,568,000	**–**
RM1.00 per share	28.9.2002	709,000	–	39,000	670,000	**–**
RM1.00 per share	11.4.2003	583,000	–	–	583,000	**–**
RM1.00 per share	15.10.2004	–	9,529,800	–	–	**9,529,800**
		15,101,000	9,529,800	45,000	15,056,000	**9,529,800**

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:

(i) all known bad debts have been written off and adequate provision made for doubtful debts, and

(ii) 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:

(i) 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

(ii) that would render the values attributed to the current assets in the Group and in the Company financial statements misleading, or

(iii) 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

(iv) 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 2004

OTHER STATUTORY INFORMATION (CONT'D)

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, the results of the operations of the Group and of the Company for the financial year ended 31 December 2004 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,
11 March 2005

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 74 to 124 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 2004 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:

Lei Lin Thai

Wong Ah Kow

Kuala Lumpur,
11 March 2005

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 74 to 124, 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 11 March 2005.

Yew Hong Aun

Before me:

report of the auditors

to the members of TH Group Berhad

We have audited the financial statements set out on pages 74 to 124. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 2004 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: 1547/11/06(J/PH)

Kuala Lumpur,
11 March 2005

balance sheets

as at 31 December 2004

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Property, plant and equipment	3	**315,604**	306,030	**19,328**	19,551
Investments in subsidiaries	4	**–**	–	**585,028**	434,777
Investment in associates	5	**422**	793	**–**	–
Other investments	6	**45,713**	50,063	**–**	2,317
Property held for development	7	**5,043**	5,043	**–**	–
Intangible assets	8	**42,138**	1,037	**–**	–
Deferred tax assets	18	**379**	796	**–**	–
Trade, loan and other receivables	9	**16,535**	17,692	**69,179**	–
Deposits with licensed financial institutions	10	**18,673**	26,921	**6,987**	19,166
		444,507	408,375	**680,522**	475,811
Current assets					
Inventories	11	**11,485**	5,627	**–**	–
Trade, loan and other receivables	9	**167,817**	141,229	**23,813**	64,442
Tax recoverable		**8,434**	10,943	**8,246**	6,387
Other investments	6	**22,971**	–	**382**	–
Deposits with licensed financial institutions	10	**14,103**	45,026	**8,500**	15,608
Cash and bank balances	12	**12,784**	12,738	**612**	787
		237,594	215,563	**41,553**	87,224
Current liabilities					
Trade and other payables	13	**73,899**	46,995	**27,537**	24,010
Bank borrowings	14	**37,259**	36,903	**20,500**	8,000
Islamic debt securities	19	**20,000**	10,000	**20,000**	10,000
Provision for taxation		**3,579**	1,953	**–**	–
		134,737	95,851	**68,037**	42,010
Net current assets/(liabilities)		**102,857**	119,712	**(26,484)**	45,214
		547,364	528,087	**654,038**	521,025

balance sheets

as at 31 December 2004

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Represented by:					
Capital and reserves					
Share capital	15	**386,551**	356,267	**386,551**	356,267
Reserves	16	**(41,962)**	(53,264)	**16,691**	17,758
		344,589	303,003	**403,242**	374,025
Minority shareholders' interest	17	**13,845**	11,838	**–**	–
Long term and deferred liabilities					
Hire purchase creditors		**58**	–	**–**	–
Trade and other payables	13	**–**	–	**127,796**	–
Bank borrowings	14	**4,764**	7,000	**3,000**	7,000
Deferred tax	18	**64,108**	66,246	**–**	–
Islamic debt securities	19	**120,000**	140,000	**120,000**	140,000
		188,930	213,246	**250,796**	147,000
		547,364	528,087	**654,038**	521,025
Net tangible assets per share (sen)	20	**78.24**	84.76	**104.32**	104.98

The financial statements were approved and authorised for issue by the Board of Directors on 11 March 2005.

The notes set out on pages 80 to 124 form an integral part of, and should be read in conjunction with, these financial statements.

income statements

for the year ended 31 December 2004

		Group		Company	
		2004	2003	2004	2003
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	21	**302,089**	285,530	**45,836**	28,222
Cost of sales	22	**(220,952)**	(212,964)	**(1,139)**	(620)
Gross profit		**81,137**	72,566	**44,697**	27,602
Administration expenses		**(31,089)**	(20,508)	**(10,206)**	(9,221)
Allowance for diminution in value of other investments		**(13,322)**	(22,190)	**–**	–
Allowance for diminution in value of investments in subsidiaries		**–**	–	**(18,093)**	–
Other operating expenses		**–**	(7,220)	**–**	–
Other operating income		**10,727**	6,086	**3,344**	2,969
Operating profit	23	**47,453**	28,734	**19,742**	21,350
Interest expense	25	**(6,861)**	(6,248)	**(5,774)**	(5,703)
Profit before tax and share of associate's results		**40,592**	22,486	**13,968**	15,647
Share of (loss)/profit in an associate		**(371)**	244	**–**	–
Profit before tax		**40,221**	22,730	**13,968**	15,647
Taxation	26	**(19,893)**	(15,283)	**(9,710)**	(4,897)
Profit after tax		**20,328**	7,447	**4,258**	10,750
Minority interests		**(2,035)**	(1,640)	**–**	–
Net profit for the year		**18,293**	5,807	**4,258**	10,750
Earnings per ordinary share (sen)					
– Basic	27	**4.83**	1.63		
– Diluted	27	**–**	–		
Net dividend per ordinary share (sen)	28	**2.16**	2.16	**2.16**	2.16

The notes set out on pages 80 to 124 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 2004

			Non-distributable					*Distributable*		
Group	Note	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	Total RM'000
At 1 January 2003		356,156	21,918	111,382	10,214	(294,476)	92	204	96,075	301,565
Issue of shares:										
Exercise of share option		111	5	–	–	–	–	–	–	116
Net profit for the year		–	–	–	–	–	–	–	5,807	5,807
Dividends – 2002 final	28	–	–	–	–	–	–	–	(5,129)	(5,129)
Net gain/(loss) not recognised in the income statement	16	–	–	(160)	–	–	644	–	160	644
At 31 December 2003		356,267	21,923	111,222	10,214	(294,476)	736	204	96,913	303,003
Issue of shares:										
Exercise of share option		45	–	–	–	–	–	–	–	45
Acquisition of a subsidiary		30,239	3,024	–	–	–	–	–	–	33,263
Net profit for the year		–	–	–	–	–	–	–	18,293	18,293
Dividends – 2003 final	28	–	–	–	–	–	–		(8,349)	(8,349)
Net gain/(loss) not recognised in the income statement	16	–	–	(2,206)	–	–	(1,666)	–	2,206	(1,666)
At 31 December 2004		**386,551**	**24,947**	**109,016**	**10,214**	**(294,476)**	**(930)**	**204**	**109,063**	**344,589**
		Note 15								

			Non-distributable	*Distributable*	
Company	Note	Share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
At 1 January 2003		356,156	4,200	7,932	368,288
Issue of shares – Exercise of share options		111	5	–	116
Net profit for the year		–	–	10,750	10,750
Dividends – 2002 final	28	–	–	(5,129)	(5,129)
At 31 December 2003		356,267	4,205	13,553	374,025
Issue of shares –					
Issue of shares		30,239	3,024	–	33,263
Exercise of share options		45	–	–	45
Net profit for year		–	–	4,258	4,258
Dividends – 2003 final	28	–	–	(8,349)	(8,349)
At 31 December 2004		**386,551**	**7,229**	**9,462**	**403,242**
		Note 15			

The notes set out on pages 80 to 124 form an integral part of, and should be read in conjunction with, these financial statements.

cash flow statements

for the year ended 31 December 2004

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	**40,221**	22,730	**13,968**	15,647
Adjustments for				
Allowance for diminution in value of other investments	**13,322**	22,190	**–**	–
Allowance for diminution in value of investments in subsidiaries	**–**	–	**18,093**	–
Amortisation of development costs	**111**	29	**–**	–
Depreciation	**16,249**	15,481	**546**	533
Goodwill written off	**–**	2	**–**	–
Gross dividend income	**–**	–	**(42,000)**	(25,000)
Gain on disposal of investment	**(298)**	–	**(298)**	–
(Gain)/Loss on disposal of plant and equipment	**(9,379)**	(2,135)	**–**	7
Interest expense	**6,861**	6,248	**5,774**	5,703
Interest income	**(1,179)**	(2,011)	**(2,931)**	(2,945)
Inventories written off	**–**	30	**–**	–
Plant and equipment written off	**1,042**	366	**12**	–
Share of loss/(profit) in an associate	**371**	(244)	**–**	–
Operating profit/(loss) before working capital changes	**67,321**	62,686	**(6,836)**	(6,055)
Changes in working capital:				
Inventories	**(5,590)**	542	**–**	–
Trade and other receivables	**(25,545)**	(65,599)	**(28,550)**	9,888
Trade and other payables	**21,544**	21,675	**45,740**	3,445
Cash generated from operations	**57,730**	19,304	**10,354**	7,278
Development costs paid	**–**	(13)	**–**	–
Income taxes (paid)/refunded	**(19,073)**	(17,281)	**191**	–
Net cash generated from operating activities	**38,657**	2,010	**10,545**	7,278
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	**(11,713)**	(2)	**(9,866)**	–
Interest received	**1,179**	2,011	**2,931**	1,934
Investment in subsidiaries	**–**	–	**–**	(152)
Decrease in pledged and designated deposits and bank balances with licensed financial institutions (net)	**8,456**	19,310	**12,062**	24,075
Proceeds from disposal of plant and equipment	**9,568**	2,588	**130**	98
Purchase of other investments	**(11,296)**	(22,524)	**–**	(48)
Purchase of property, plant and equipment, net of depreciation and interest capitalised	**(16,777)**	(7,672)	**(464)**	(374)
Purchase of intangible asset	**(336)**	(569)	**–**	–
Proceeds from disposal of other investment	**2,233**	–	**2,233**	–
Subscription for additional preference shares in a subsidiary	**–**	–	**(9,394)**	(22,432)
Net cash (used in)/generated from investing activities	**(18,686)**	(6,858)	**(2,368)**	3,101

cash flow statements

for the year ended 31 December 2004

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Dividend paid to shareholders of the Company	**(8,349)**	(5,129)	**(8,349)**	(5,129)
Interest paid	**(6,861)**	(6,248)	**(5,774)**	(5,457)
Payment of hire purchase liabilities	**(13)**	(36)	**–**	–
Proceeds from issuance of share under ESOS	**45**	116	**45**	116
Proceeds from bank borrowings	**14,500**	15,000	**14,500**	–
Repayment of Islamic debt securities	**(10,000)**	–	**(10,000)**	–
Repayment of bank borrowings	**(6,000)**	–	**(6,000)**	–
Proceeds from hire purchase facility	**–**	49	**–**	–
Net cash (used in)/generated from financing activities	**(16,678)**	3,752	**(15,578)**	(10,470)
Net increase/(decrease) in cash and cash equivalents	**3,293**	(1,096)	**(7,401)**	(91)
Foreign exchange difference	**645**	644	**–**	–
Cash and cash equivalents at beginning of year	**43,833**	44,285	**16,367**	16,458
Cash and cash equivalents at end of year	**47,771**	43,833	**8,966**	16,367

Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances (excluding designated bank balances)	**12,638**	12,710	**466**	759
Deposits with licensed financial institutions (excluding deposits pledged and designated deposits)	**14,103**	45,026	**8,500**	15,608
Quoted unit trust	**22,589**	–	**–**	–
Bank overdrafts	**(1,559)**	(13,903)	**–**	–
	47,771	43,833	**8,966**	16,367

The notes set out on pages 80 to 124 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 change in accounting policy of goodwill as further disclosed in Note 1(g)(i).

The change in accounting policy has not given rise to any adjustments to the opening balances of retained profits of the prior year or to changes in comparatives.

(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 2004. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 all other circumstances, a decrease in carrying amount is charged to the income statement.

Long term leasehold land 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 and hospital 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 impairment losses.

In the previous year, goodwill was stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill was amortised through the income statement over its estimated useful economic life of 5 to 10 years on the straight line method. The goodwill stated at carrying value is subject to yearly impairment review.

In the current year, goodwill is not amortised. The goodwill is stated at cost and subject to yearly impairment review.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment (cont'd)

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 been 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.

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	(2003 – RM0.04)
1SGD	RM2.32	(2003 – RM2.23)

(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.

notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revenue recognition (cont'd)

(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 expense 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.

(v) *Interest expense*

All interest 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

2. GENERAL (CONT'D)

(b) Principal places of business (cont'd)

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 and THG Construction (Brunei) Sdn. Bhd. which is incorporated in Brunei, are as follows:

Subsidiaries	Principal activities	Effective ownership interest	
		2004	2003
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%
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%

2. GENERAL (CONT'D)

(c) Subsidiaries (cont'd)

Subsidiaries	Principal activities	Effective ownership interest 2004	Effective ownership interest 2003
THG Capital Sdn. Bhd.	Venture capital investment.	**100%**	100%
Amazon Plus Sdn. Bhd.	Provision of venture capital management, business consulting and corporate advisory services.	**82%**	100%
Tung Hup Palm Oil Mill Sdn. Bhd.	Palm oil milling.	**100%**	–
Tung Hup (Contracting) Sdn. Bhd.	Civil construction works.	**100%**	–
Asiaprise Biotech Sdn. Bhd. *	Operate specialised cancer treatment centre.	**100%**	–
Subsidiary of THG Corporation Sdn. Bhd.			
PT THG Niaga #	Provision of sales and marketing of logs.	**100%**	100%
Subsidiary of Syarikat Tung Hup Plantations Sdn. Bhd.			
Syarikat Tawasa Sdn. Bhd.	Property holding.	**100%**	100%
Subsidiary of Technology Asia Ventures Sdn. Bhd.			
Special Benchmark Sdn. Bhd.	Licensing and development of pen digitised technologies.	**100%**	100%
Subsidiary of THG Capital Sdn. Bhd.			
Strategic Starview Sdn. Bhd.	Provision of products marketing and advisory services.	**100%**	100%
Subsidiaries of THG Construction Sdn. Bhd.			
Sunshine Paradigm Sdn. Bhd.	Construction work and provision of construction project management services.	**–**	70%
Wisdirection Venture Sdn. Bhd.	Provision of construction project management services.	**–**	100%

2. GENERAL (CONT'D)

(c) Subsidiaries (cont'd)

Subsidiaries	Principal activities	Effective ownership interest 2004	2003
Subsidiaries of Tung Hup Enterprises Sdn. Bhd.			
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%
Magain Enterprise Sdn. Bhd.	Provision of management service.	**100%**	100%
Subsidiaries of Sri Insani Sdn. Bhd.			
Sekarharum Sdn. Bhd.	Cultivation of oil palm.	**100%**	100%
Sri Insani Plantations (Sabah) Sdn. Bhd.	Cultivation of oil palm.	**100%**	100%
Subsidiaries of Tung Hup (Contracting) Sdn. Bhd.			
Tung Hup Contracting (Sarawak) Sdn. Bhd.	Dormant.	**100%**	100%
PT THG Kontrak #	Land clearing activities.	**–**	100%
THG Construction Sdn. Bhd.	Construction work and provision of construction project management services.	**100%**	–
Sunshine Paradigm Sdn. Bhd.	Construction work and provision of construction project management services.	**70%**	–
Wisdirection Venture Sdn. Bhd.	Provision of construction project management services.	**100%**	–
THG Construction (Brunei) Sdn. Bhd.	Dormant.	**100%**	–

notes to the financial statements

2. GENERAL (CONT'D)

(c) Subsidiaries (cont'd)

Subsidiaries	Principal activities	Effective ownership interest 2004	2003
Subsidiaries of Besatim Sdn. Bhd.			
Tung Hup Palm Oil Mill Sdn. Bhd.	Palm oil milling.	**–**	100%
Tung Hup Kelapa Sawit Sdn. Bhd.	Cultivation of oil palm.	**70%**	70%
Kaling Sdn. Bhd.	Dormant.	**70%**	70%
Subsidiaries of iTech Worldwide Sdn. Bhd.			
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.	**85%**	51%
Subsidiary of Tracpower Sdn. Bhd.			
PT THG Kontrak #	Land clearing activities.	**100%**	–

– Audited by member firms of KPMG International.

* – Not audited by KPMG

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 and hospital equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation									
At 1 January 2004	149,012	43,526	147,716	22,606	17	78,610	5,086	113	446,686
Acquisition of subsidiary	7,979	–	–	–	–	112	6,637	140	14,868
Additions	550	1,150	560	154	–	3,657	1,180	9,526	16,777
Disposals	–	–	–	–	–	(17,119)	(47)	–	(17,166)
Write off	–	–	(2,118)	(61)	–	(447)	(106)	–	(2,732)
Transfer	–	–	73	–	–	35	5	(113)	–
At 31 December 2004	**157,541**	**44,676**	**146,231**	**22,699**	**17**	**64,848**	**12,755**	**9,666**	**458,433**
Representing items at:									
Cost	44,793	44,676	16,701	22,030	17	64,848	12,755	9,666	215,486
Directors' valuation	112,748	–	129,530	669	–	–	–	–	242,947
	157,541	44,676	146,231	22,699	17	64,848	12,755	9,666	458,433
Accumulated depreciation									
At 1 January 2004	9,106	19,095	27,324	11,842	14	70,918	2,357	–	140,656
Acquisition of subsidiary	465	–	–	–	–	61	2,996	–	3,522
Charge for the year	2,289	3,104	6,226	1,135	2	2,436	1,111	–	16,303
Disposals	–	–	–	–	–	(15,931)	(31)	–	(15,962)
Write off	–	–	(1,119)	(57)	–	(442)	(72)	–	(1,690)
At 31 December 2004	**11,860**	**22,199**	**32,431**	**12,920**	**16**	**57,042**	**6,361**	**–**	**142,829**
Net book value									
At 31 December 2004	**145,681**	**22,477**	**113,800**	**9,779**	**1**	**7,806**	**6,394**	**9,666**	**315,604**
At 31 December 2003	139,906	24,431	120,392	10,764	3	7,692	2,729	113	306,030
For the year ended 31 December 2003									
Depreciation charge	2,190	2,904	6,121	1,306	3	2,524	555	–	15,603

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
Cost/valuation						
At 1 January 2004	6,000	115,686	10,081	14,469	2,776	149,012
Acquisition of subsidiary	3,732	–	–	4,247	–	7,979
Additions	–	106	16	–	428	550
At 31 December 2004	**9,732**	**115,792**	**10,097**	**18,716**	**3,204**	**157,541**
Representing items at:						
Cost	9,732	12,679	920	18,258	3,204	44,793
Directors' valuation	–	103,113	9,177	458	–	112,748
	9,732	115,792	10,097	18,716	3,204	157,541
Accumulated depreciation and impairment losses						
At 1 January 2004	–	6,907	884	667	648	9,106
Acquisition of subsidiary	–	–	–	465	–	465
Charge for the year	–	1,350	172	375	392	2,289
At 31 December 2004	**–**	**8,257**	**1,056**	**1,507**	**1,040**	**11,860**
Net book value						
At 31 December 2004	**9,732**	**107,535**	**9,041**	**17,209**	**2,164**	**145,681**
At 31 December 2003	6,000	108,779	9,197	13,802	2,128	139,906
For the year ended 31 December 2003						
Depreciation charge	–	1,351	169	293	377	2,190

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

Company	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Renovation RM'000	Total RM'000
Cost						
At 1 January 2004	6,000	12,842	427	1,267	267	20,803
Additions	–	–	4	460	–	464
Disposals	–	–	(230)	–	–	(230)
Write-off	–	–	–	(13)	–	(13)
At 31 December 2004	**6,000**	**12,842**	**201**	**1,714**	**267**	**21,024**
Accumulated depreciation						
At 1 January 2004	–	557	159	471	65	1,252
Charge for the year	–	256	68	195	27	546
Disposals	–	–	(100)	–	–	(100)
Write-off	–	–	(2)	–	–	(2)
At 31 December 2004	**–**	**813**	**127**	**664**	**92**	**1,696**
Net book value						
At 31 December 2004	**6,000**	**12,029**	**74**	**1,050**	**175**	**19,328**
At 31 December 2003	6,000	12,285	268	796	202	19,551
For the year ended 31 December 2003						
Depreciation charge	–	257	102	155	19	533

Depreciation

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Charged to income statement	**16,249**	15,481	**546**	533
Capitalised into plantation development expenditure	**54**	122	**–**	–
	16,303	15,603	**546**	533

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.

Further, in January 2005 another update was done by the same valuer, using the open market values on an existing use basis on the Group's assets and the valuation amount does not materially differ from their 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 2004.

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	
	2004	**2003**
	RM'000	**RM'000**
Long term leasehold land	**5,786**	5,860
Infrastructure	**1,092**	1,106
Buildings	**725**	736
Plantation development expenditure	**57,140**	61,109
Estate buildings	**175**	226
	64,918	69,037

Security

Certain property, plant and equipment of the Group stated at cost/valuation of RM15.7 million (2003 – RM92.7 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 RM194.9 million (2003 – RM194.6 million) and RM18.8 million (2003 – 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 RM19.2 million (2003 – RM19.5 million) and RM18.0 million (2003 – RM18.3 million), respectively, are in the process of being transferred to the name of the Company and the relevant subsidiaries.

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

Assets under hire purchase

Included in plant and equipment of the Group are motor vehicles and hospital equipment acquired under a hire purchase agreement with a net book value of RM204,123 (2003 – RM44,145).

Plantation development expenditure write-off

During the year, the Group has decided to undertake to replant its cocoa plantation with oil palm. The total plantation development expenditure of RM1,575,608 has been recognised as write off and is charged to income statement during the year.

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	**2003**
	RM'000	**RM'000**
Unquoted shares, at cost		
At 1 January	**434,777**	412,193
Arising from acquisition of a subsidiary	**43,129**	2
Arising from subscription of additional ordinary shares in existing subsidiaries	**116,821**	150
Arising from disposal of ordinary shares in an existing subsidiary	**(1,000)**	–
Arising from subscription of additional preference shares in a subsidiary	**9,394**	22,432
	603,121	434,777
Allowance for diminution in value of investments in subsidiaries	**(18,093)**	–
At 31 December	**585,028**	434,777

5. INVESTMENT IN ASSOCIATES

	Group	
	2004	**2003**
	RM'000	**RM'000**
Unquoted shares, at cost	**21**	21
Share of post-acquisition reserves	**401**	772
	422	793
Represented by:		
Group's share of net assets	**469**	881
Reserve on acquisition	**(47)**	(88)
	422	793

notes to the financial statements

5. INVESTMENT IN ASSOCIATES (CONT'D)

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

Name of Associate	Country of incorporation	Effective ownership interest 2004	Effective ownership interest 2003	Principal activity
Ginosko Venture Management Pte. Ltd.	Singapore	**14%**	14%	Provision of investment management consultancy and advisory services.
Hyper Triumph Sdn. Bhd.*	Malaysia	**49%**	–	Provide information technology consultancy services.

* Hyper Triumph Sdn. Bhd. is incorporated during the year with the Group's cost amounting to RM49.

6. OTHER INVESTMENTS

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Non current				
Unquoted shares, at cost				
– in Malaysia	**19,185**	13,477	**–**	–
– outside Malaysia	**36,295**	51,169	**–**	–
	55,480	64,646	**–**	–
Quoted shares, at cost				
– in Malaysia	**61**	61	**–**	–
– outside Malaysia	**20,770**	18,408	**–**	–
	20,831	18,469	**–**	–
Quoted unit trust, at cost				
– in Malaysia	**–**	2,317	**–**	2,317
	76,311	85,432	**–**	2,317
Less: Allowance for diminution in value				
Unquoted shares				
– in Malaysia	**(3,980)**	(3,740)	**–**	–
– outside Malaysia	**(19,813)**	(24,824)	**–**	–
Quoted shares				
– outside Malaysia	**(6,805)**	(6,805)	**–**	–
	45,713	50,063	**–**	2,317

6. OTHER INVESTMENTS (CONT'D)

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Current				
Quoted unit trust, at cost				
– in Malaysia	**22,971**	–	**382**	–
Quoted shares, at market value				
– in Malaysia	**81**	66	**–**	–
– outside Malaysia	**6,089**	3,607	**–**	–
Quoted unit trust, at market value				
– in Malaysia – non current	**–**	2,611	**–**	2,611
– current	**23,126**	–	**517**	–

During the year, the cost of non-current unquoted shares outside Malaysia amounting to RM18,093,000 was written off against the allowance for diminution in value.

The shortfall of the carrying amount of non-current quoted shares outside Malaysia over its market value is further explained in Note 33(a).

7. PROPERTY HELD FOR DEVELOPMENT

	Group 2004 RM'000	Group 2003 RM'000
Land and development costs, at cost	**5,043**	5,043

8. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development costs RM'000	Intellectual property RM'000	Total RM'000
Cost				
At 1 January 2004	402	556	510	1,468
On acquisition of subsidiary	40,876	–	–	40,876
Incurred during the year	–	226	110	336
Write-off	(402)	–	–	(402)
At 31 December 2004	**40,876**	**782**	**620**	**42,278**
Accumulated amortisation				
At 1 January 2004	402	29	–	431
Charge for the year	–	111	–	111
Write-off	(402)	–	–	(402)
At 31 December 2004	**–**	**140**	**–**	**140**
At cost/net book value				
At 31 December 2004	**40,876**	**642**	**620**	**42,138**
At 31 December 2003	–	527	510	1,037
Amortisation charge for year ended 31 December 2003	2	29	–	31

notes to the financial statements

9. TRADE, LOAN AND OTHER RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non current				
– Term loan receivables	**16,535**	17,692	**–**	–
– Subsidiaries	**–**	–	**69,179**	–
	16,535	17,692	**69,179**	–
Current				
– Trade receivables	**116,071**	89,078	**–**	–
– Term loan receivables	**11,295**	2,765	**–**	–
– Amounts due from contract customers	**28,611**	31,055	**–**	–
– Subsidiaries	**–**	–	**23,402**	64,078
– Associate	**115**	–	**115**	–
– Other receivables, deposits and prepayments	**11,725**	18,331	**296**	364
	167,817	141,229	**23,813**	64,442
	184,352	158,921	**92,992**	64,442

Trade receivables of the Group are stated net of allowance for doubtful debts of RM1 million (2003 – RM1.116 million).

Other receivables, deposits and prepayments of the Group are stated net of allowance for doubtful debts of RM0.991 million (2003 – RM1.364 million).

Amounts due from contract customers

	Group	
	2004 RM'000	2003 RM'000
Aggregate cost incurred to date	**405,835**	220,700
Add: Attributable profits	**18,834**	11,479
	424,669	232,179
Less: Progress billings	**(416,025)**	(210,466)
	8,644	21,713
Amounts due to contract customers (Note 13)	**19,967**	9,342
	28,611	31,055

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for RM38,130,200 (2003 – RM17,308,222) and RM42,013,000 (2003 – RM42,013,000) due from certain subsidiaries which are subject to interest based on licensed financial institutions' prevailing fixed deposit rate currently at 3.70% per annum (2003 – 1% per annum above a bank's base lending rate) and 3% (2003 – 3%) per annum, respectively.

10. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed financial institutions	**32,776**	71,947	**15,487**	34,774
Less: Deposits pledged to financial institutions	**(11,686)**	(7,755)	**–**	–
Deposits placed in the BAIDS Designated Accounts	**(6,987)**	(19,166)	**(6,987)**	(19,166)
Maturing within 12 months	**14,103**	45,026	**8,500**	15,608
Deposits with licensed financial institutions are placed with:				
Licensed banks	**32,776**	70,947	**15,487**	34,774
Licensed finance company	**–**	1,000	**–**	–
	32,776	71,947	**15,487**	34,774

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	
	2004	2003
	RM'000	RM'000
At cost		
Oil palm nurseries	**163**	38
Plantation produce	**6,525**	605
Consumable stores	**3,569**	4,209
Cocoa beans	**–**	63
Software held for sale	**712**	712
Hardware held for sale	**5**	–
Medical supplies and drugs	**354**	–
	11,328	5,627
At net realisable value		
Cocoa beans	**157**	–
	11,485	5,627

12. CASH AND BANK BALANCES

Included in the Group's and the Company's cash and bank balances is RM146,132 (2003 – RM28,390) 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).

notes to the financial statements

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Non current				
– Subsidiaries	–	–	127,796	–
	–	–	127,796	–
Current				
– Trade payables	42,335	31,301	–	–
– Amounts due to contract customers (Note 9)	19,967	9,342	–	–
– Subsidiaries	–	–	24,315	21,461
– Other payables and accrued expenses	11,597	6,352	3,222	2,549
	73,899	46,995	155,333	24,010
	73,899	46,995	155,333	24,010

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayments except for an amount of RM28,419,656 (2003 – RM3,565,910) due to a subsidiary which is subject to interest based on licensed financial institutions' prevailing fixed deposit rate currently at 3.70% per annum (2003 – 1% per annum above the cost of funds of the subsidiary's banker). This amount is unsecured and has no fixed terms of repayment.

14. BANK BORROWINGS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Current				
Bank overdrafts	1,559	13,903	–	–
Term loans	21,200	23,000	6,000	8,000
Revolving credit	14,500	–	14,500	–
	37,259	36,903	20,500	8,000
Non-current				
Term loan	4,764	7,000	3,000	7,000
	42,023	43,903	23,500	15,000
Maturity of borrowings				
Within 12 months				
Bank overdrafts	1,559	13,903	–	–
Term loans	21,200	23,000	6,000	8,000
Revolving credit	14,500	–	14,500	–
	37,259	36,903	20,500	8,000
Between 1 to 2 years				
Term loans	4,764	7,000	3,000	7,000
	42,023	43,903	23,500	15,000

14. BORROWINGS (CONT'D)

Interest rates

Bank overdrafts	1% to 1.25% (2003 – 1% to 1.25%) per annum above the banks' base lending rates.
Term loans	1.5% to 2.5% (2003 – 1.5% to 2.5%) per annum above the bank's cost of funds or base lending rates.

Security

Group

Bank overdrafts and term loans:

(a) Corporate guarantees issued by the Company as disclosed in Note 29;

(b) Third party first legal charge of RM20,000,000 over a parcel of plantation land of a subsidiary; and

(c) Pledge of fixed deposit by a subsidiary of up to RM3 million (2003- Nil) for term loan and up to 20% (2003 – 0%) of the multitrade line facilities utilised.

Company

Term loan:

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

15. SHARE CAPITAL

	Group and Company	
	2004	**2003**
	RM'000	**RM'000**
Ordinary shares of RM1.00 each		
Authorised	**600,000**	600,000
Issued and fully paid		
At 1 January	**356,267**	356,156
Shares issued under share option scheme	**45**	111
Shares issued for acquisition of a subsidiary	**30,239**	–
At 31 December	**386,551**	356,267

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.

notes to the financial statements

15. SHARE CAPITAL (CONT'D)

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 ech 2004	2003
RM1.82 per share	5.4.1999	–	2,764,000
RM1.64 per share	20.8.1999	–	207,000
RM2.67 per share	21.8.2000	–	2,266,000
RM1.51 per share	17.8.2001	–	922,000
RM1.19 per share	4.6.2002	–	1,076,000
RM1.08 per share	4.6.2002	–	6,574,000
RM1.00 per share	28.9.2002	–	709,000
RM1.00 per share	11.4.2003	–	583,000
RM1.00 per share	15.10.2004	**9,529,800**	–
		9,529,800	15,101,000

The consideration is payable in full on application.

16. RESERVES

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Non-distributable				
Share premium				
At 1 January	**21,923**	21,918	**4,205**	4,200
Issue of shares:				
Exercise of share options	–	5	–	5
Acquisition of subsidiary	**3,024**	–	**3,024**	–
At 31 December	**24,947**	21,923	**7,229**	4,205
Revaluation reserve				
At 1 January	**111,222**	111,382	–	–
Transfer to retained profits on realisation	**(2,206)**	(160)	–	–
At 31 December	**109,016**	111,222	–	–
Reserve on consolidation				
At 1 January/31 December	**10,214**	10,214	–	–
Merger deficit				
At 1 January/31 December	**(294,476)**	(294,476)	–	–
Foreign exchange reserve				
At 1 January	**736**	92	–	–
Arising from translation of financial statements of foreign operations	**(1,666)**	644	–	–
At 31 December	**(930)**	736	–	–
Total non-distributable	**(151,229)**	(150,381)	**7,229**	4,205

16. RESERVES (CONT'D)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Distributable				
Capital reserve				
At 1 January/31 December	**204**	204	**–**	–
Retained profits				
At 1 January	**96,913**	96,075	**13,553**	7,932
Net profit for the year	**18,293**	5,807	**4,258**	10,750
Dividends paid	**(8,349)**	(5,129)	**(8,349)**	(5,129)
Transfer from revaluation reserve on realisation	**2,206**	160	**–**	–
At 31 December	**109,063**	96,913	**9,462**	13,553
Total distributable	**109,267**	97,117	**9,462**	13,553
Total reserves	**(41,962)**	(53,264)	**16,691**	17,758

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all its distributable reserves at 31 December 2004 if paid out as dividends.

17. MINORITY SHAREHOLDERS' INTEREST

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

18. DEFERRED TAXATION

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

	Group	
	2004	2003
	RM'000	RM'000
Deferred tax liabilities	**64,108**	66,246
Deferred tax assets	**(379)**	(796)
	63,729	65,450

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.

notes to the financial statements

18. DEFERRED TAXATION (CONT'D)

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

	Group	
	2004 RM'000	2003 RM'000
Provisions	**(1,333)**	(17)
Property, plant and equipment		
– capital allowances	**27,675**	28,881
– revaluation	**38,101**	38,118
Unabsorbed capital and agriculture allowances	**(48)**	(71)
Unutilised tax losses	**(666)**	(1,461)
	63,729	65,450

No net deferred tax benefit has been recognised for the following items:

(Deductible)/Taxable temporary differences	**2,105**	1,860
Unabsorbed capital allowances	**(2,159)**	(450)
Unutilised tax losses	**(15,223)**	(4,043)
	(15,277)	(2,633)
Tax rate	**28%**	28%
	(4,278)	(737)

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 RM17,602,000 (2003 – RM9,260,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above.

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.

19. ISLAMIC DEBT SECURITIES (CONT'D)

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 in 2003.

(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	2,250
2003	–	4,500	4,500
2004	10,000	4,350	14,350
2005	20,000	3,900	23,900
2006	45,000	2,925	47,925
2007	75,000	1,125	76,125
	150,000	19,050	169,050

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 RM10,000,000 (2003 – RM Nil) of its Primary Notes and RM4,350,000 (2003 – RM4,500,000) 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 Malaysian Trustees Berhad:-

(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 Technology Asia Ventures Sdn. Bhd. 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 2004 of 386,551,340 (2003 – 356,266,907).

21. REVENUE

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Sales of plantation produce	**159,021**	133,554	**–**	–
Land clearing contract income	**645**	6,071	**–**	–
Civil construction contract income	**134,969**	142,989	**–**	–
Equipment hire income	**–**	31	**–**	–
Other contract income	**–**	277	**–**	–
Licence fees, hardware and software maintenance fee and related costs	**1,500**	144	**–**	–
Interest income from money lending activities	**641**	454	**–**	–
Gross dividends received from unquoted subsidiaries in Malaysia	**–**	–	**42,000**	25,000
Management fees received from subsidiaries	**–**	–	**1,881**	1,212
Rental income	**1,955**	1,962	**1,955**	1,962
Healthcare income	**3,324**	–	**–**	–
Other income	**34**	48	**–**	48
	302,089	285,530	**45,836**	28,222

22. COST OF SALES

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Plantation produce	**84,379**	73,488	**–**	–
Land clearing contract	**5,157**	2,346	**–**	–
Civil construction contract	**127,814**	134,336	**–**	–
Equipment hire costs	**–**	572	**–**	–
Other contract costs	**–**	1,243	**–**	–
Licence fees, hardware and software maintenance fee and related costs	**1,293**	359	**–**	–
Rental related costs	**1,139**	620	**1,139**	620
Healthcare related costs	**1,170**	–	**–**	–
	220,952	212,964	**1,139**	620

notes to the financial statements

23. OPERATING PROFIT

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Operating profit is stated after crediting:				
Gain on disposal of plant and equipment	**9,379**	2,135	**–**	–
Gross dividends received from unquoted subsidiaries in Malaysia	**–**	–	**42,000**	25,000
Interest income	**1,179**	2,011	**2,931**	2,945
Rental income	**2,407**	2,417	**1,955**	1,962
And after charging:				
Allowance for doubtful debts	**1,659**	980	**–**	350
Amortisation of development costs	**111**	29	**–**	–
Auditors' remuneration				
– current year	**286**	251	**28**	28
– (over)/under provision in previous year	**26**	(5)	**7**	(3)
Bad debts written off	**93**	87	**–**	–
Depreciation	**16,249**	15,481	**546**	533
Directors' remuneration				
– fees	**1,049**	958	**291**	239
– salaries and other emoluments*	**1,515**	1,218	**855**	1,024
Equipment hire	**19**	157	**–**	–
Goodwill written off	**–**	2	**–**	–
Inventories written off	**–**	30	**–**	–
Loss on disposal of plant and equipment	**–**	–	**–**	7
Plant and equipment written off	**1,042**	366	**12**	–
Realised loss on foreign exchange	**2,270**	96	**–**	–
Rental expenses	**1,236**	1,316	**357**	316
Unrealised loss on foreign exchange	**–**	141	**–**	–

* The estimated monetary value of Directors' benefits-in-kind included above is RM46,549 (2003 – RM19,000) and RM38,549 (2003 – RM11,100), for the Group and Company respectively.

24. EMPLOYEE INFORMATION

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Staff costs	**36,371**	27,325	**3,669**	2,347
Included above:				
EPF contribution	**2,563**	1,718	**412**	258

The number of employees of the Group and of the Company (excluding Directors) at the end of the financial year was 2,435 (2003 – 2,243) and 44 (2003 – 43) respectively.

25. INTEREST EXPENSE

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest on:				
Advance from subsidiaries	**–**	–	**479**	246
Bank overdrafts	**1,195**	659	**–**	–
Hire purchase	**9**	1	**–**	–
Revolving credits	**472**	131	**249**	–
Term loans	**919**	957	**821**	957
Islamic debt securities	**4,225**	4,500	**4,225**	4,500
Other payable	**41**	–	**–**	–
	6,861	6,248	**5,774**	5,703

26. TAXATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current tax expense				
Malaysia				
– current year	**22,191**	13,581	**9,710**	4,876
– (over)/underprovision in prior year	**(577)**	742	**–**	21
Overseas				
– current year	**–**	1	**–**	–
– overprovision in prior year	**–**	(15)	**–**	–
	21,614	14,309	**9,710**	4,897
Deferred tax expense				
Origination and reversal of temporary differences	**(1,721)**	1,796	**–**	–
Overprovision in prior years	**–**	(822)	**–**	–
	(1,721)	974	**–**	–
	19,893	15,283	**9,710**	4,897
Reconciliation of effective tax rate				
Profit before taxation	**40,221**	22,730	**13,968**	15,647
Income tax using Malaysian tax rates	**11,262**	6,364	**3,911**	4,381
Effect of different tax rates in foreign jurisdictions	**137**	121	**–**	–
Effect of reduced tax rate for Small Medium Industries ("SMI")	**(201)**	(15)	**–**	–
Non-deductible expenses	**8,833**	10,294	**5,799**	495
Tax exempt income	**(3,096)**	(3,460)	**–**	–
Effect of previously unrecognised deferred tax assets	**(6)**	(287)	**–**	–
Deferred tax assets not recognised	**3,541**	2,361	**–**	–
	20,470	15,378	**9,710**	4,876
Under/(over) provision in prior years	**(577)**	(95)	**–**	21
Tax expense	**19,893**	15,283	**9,710**	4,897

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	
	2004	2003
Net profit for the year (RM'000)	**18,293**	5,807
Weighted average number of ordinary shares in issue ('000)	**378,980**	356,180
Basic earnings per share (sen)	**4.83**	1.63

Diluted earnings per share

The effect of share options and warrants are 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	
	2004 RM'000	2003 RM'000
Appropriation of retained profits for the final dividend paid of 3% (2003 – 2%) per share less tax for financial year ended 31 December 2003 and 2002, respectively	**8,349**	5,129

At the forthcoming annual general meeting, a final gross dividend of 3% less tax amounting to RM8,349,510 in respect of the financial year ended 31 December 2004 have been proposed by the Directors for shareholders' approval and upon approval will be appropriated against retained profits during financial year ending 2005.

29. CONTINGENT LIABILITIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Secured				
Bank guarantee facility utilised by a third party	**7,855**	9,455	**–**	–
Bank guarantee utilised by main contractors of a subsidiary for performance bonds	**32,939**	14,372	**–**	–
	40,794	23,827	**–**	–

29. CONTINGENT LIABILITIES (CONT'D)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unsecured				
Corporate guarantee given to suppliers for credit facilities granted to certain subsidiaries	**–**	–	**16,851**	11,850
Performance guarantee given to a third party for a construction contract granted to a subsidiary	**–**	–	**98,999**	19,999
Guarantees given to banks for banking facilities granted to certain subsidiaries	**–**	–	**181,750**	150,000
	–	–	**297,600**	181,849
	40,794	23,827	**297,600**	181,849

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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property, plant and equipment				
Authorised but not contracted for	**14,936**	15	**–**	–
Contracted but not provided in the financial statements	**13,500**	598	**–**	–

Other commitment

As at 31 December 2004, a subsidiary has commitments in respect of commodity futures sell contracts and purchase contracts on crude palm oil totalling approximately RM18,101 (2003 – RM2,650,000) and RM Nil (2003 – RM398,000) respectively.

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.

notes to the financial statements

31. SEGMENTAL INFORMATION (CONT'D)

The Group comprises the following business segments:

Plantation
Land clearing services
Construction
Venture capital
Information technology
Investment holding
Money lending
Healthcare
Others

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

	Group	
	2004	**2003**
	RM'000	**RM'000**
Non-current assets	**444,507**	408,375
Current assets	**237,594**	215,563
Total assets stated in balance sheet	**682,101**	623,938
Less: Tax refundable	**(8,434)**	(10,943)
Deferred tax assets	**(379)**	(796)
Total assets stated in segmental information	**673,288**	612,199

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

	Group	
	2004	**2003**
	RM'000	**RM'000**
Current liabilities	**134,737**	95,851
Long term and deferred liabilities	**188,930**	213,246
Total liabilities stated in balance sheet	**323,667**	309,097
Less: Provision for taxation	**(3,579)**	(1,953)
Deferred taxation	**(64,108)**	(66,246)
Total liabilities stated in segmental information	**255,980**	240,898

31. SEGMENTAL INFORMATION (CONT'D)

2004	Plantation RM'000	Land clearing RM'000	Construction RM'000	Venture capital RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Healthcare RM'000	Elimination RM'000	Consolidated RM'000
Business Segments										
Revenue from external customers	**159,021**	**645**	**134,969**	**34**	**1,500**	**1,955**	**641**	**3,324**	**–**	**302,089**
Inter-segment revenue	**725**	**17**	**25,027**	**373**	**1,258**	**43,881**	**–**	**–**	**(71,281)**	**–**
Total revenue	**159,746**	**662**	**159,996**	**407**	**2,758**	**45,836**	**641**	**3,324**	**(71,281)**	**302,089**
Segment results	**68,264**	**(6,452)**	**9,924**	**(14,683)**	**(3,297)**	**(6,287)**	**568**	**(1,381)**	**–**	**46,656**
Unallocated expenses										**(382)**
Interest income										**1,179**
Operating profit										**47,453**
Interest expense										**(6,861)**
Share of loss in an associate										**(371)**
Profit before tax										**40,221**

	Plantation RM'000	Land clearing RM'000	Construction RM'000	Venture capital RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Healthcare RM'000	Others RM'000	Consolidated RM'000
Business Segments										
Segment assets	**291,424**	**8,065**	**153,077**	**44,591**	**3,511**	**68,596**	**28,464**	**21,717**	**5,043**	**624,488**
Investment in an associate										**422**
Unallocated assets										**48,378**
Total assets										**673,288**
Segment liabilities	**7,858**	**1,313**	**58,869**	**180**	**998**	**3,253**	**6**	**3,036**	**3**	**75,516**
Unallocated liabilities										**180,464**
Total liabilities										**255,980**
Capital expenditure	**6,715**	**5**	**1,222**	**112**	**474**	**464**	**–**	**8,182**	**–**	**17,174**
Depreciation and amortisation	**(11,152)**	**(2,990)**	**(741)**	**(77)**	**(260)**	**(546)**	**–**	**(594)**	**–**	**(16,360)**
Non-cash expenses other than depreciation and amortisation	**(1,010)**	**(1,438)**	**(1,022)**	**(13,693)**	**(7)**	**(12)**	**–**	**–**	**–**	**(17,182)**

notes to the financial statements

31. SEGMENTAL INFORMATION (CONT'D)

2003	Plantation RM'000	Land clearing 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
Business Segments										
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)	–
Total revenue	134,852	6,186	147,453	–	869	28,222	454	–	(32,506)	285,530
Segment results	57,829	(5,552)	4,870	(23,504)	(1,656)	(3,853)	421	(83)	(1,212)	27,260
Unallocated expenses										(537)
Interest income										2,011
Operating profit										28,734
Interest expense										(6,248)
Share of profit in an associate										244
Profit before tax										22,730
Business Segments										
Segment assets	293,202	41,374	105,858	48,560	1,897	23,018	20,478	5,072	–	539,459
Investment in an associate										793
Unallocated assets										71,947
Total assets										612,199
Segment liabilities	5,596	2,018	36,694	85	28	2,549	5	7	–	46,982
Unallocated liabilities										193,916
Total liabilities										240,898
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)

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	
	2004 RM'000	2003 RM'000
Management fees income	**1,881**	1,212
Subscription expenses	**2,222**	2,216
Interest income	**2,577**	1,993
Interest expense	**479**	246

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

	Group	
	2004 RM'000	2003 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:		
Rental of premises payable		
– Tung Hup Holdings Sdn. Bhd.	**143**	44
Sales of hardware and software maintenance fees		
– Pinsah Plantations Sdn. Bhd.	**23**	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 2004, the Group and the Company have a RM140 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.

33. FINANCIAL INSTRUMENTS (CONT'D)

Effective interest rates and repricing analysis

	2004				2003			
	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
Group								
Financial assets								
Term loan receivables	**2.52%**	**27,830**	**11,295**	**16,535**	2.97%	20,457	2,765	17,692
Deposits with licensed financial institutions	**2.79%**	**32,776**	**25,789**	**6,987**	2.76%	71,947	45,026	26,921
Financial liabilities								
Term loans	**6.04%**	**25,964**	**21,200**	**4,764**	5.95%	30,000	23,000	7,000
Revolving credit	**6.81%**	**14,500**	**14,500**	**–**	–	–	–	–
Bank overdrafts	**7.75%**	**1,559**	**1,559**	**–**	7.65%	13,903	13,903	–
Islamic debt securities	**3.00%**	**140,000**	**20,000**	**120,000**	3.00%	150,000	10,000	140,000
Company								
Financial assets								
Deposits with licensed financial institutions	**2.76%**	**15,487**	**8,500**	**6,987**	2.95%	34,774	15,608	19,166
Amount due from subsidiaries (interest bearing only)	**3.33%**	**80,143**	**80,143**	**–**	4.00%	59,321	59,321	–
Financial liabilities								
Term loan	**6.40%**	**9,000**	**6,000**	**3,000**	7.50%	15,000	8,000	7,000
Revolving credit	**6.81%**	**14,500**	**14,500**	**–**	–	–	–	–
Islamic debts securities	**3.00%**	**140,000**	**20,000**	**120,000**	3.00%	150,000	10,000	140,000
Amount due to subsidiaries (interest bearing only)	**3.70%**	**28,420**	**28,420**	**–**	7.00%	3,566	3,566	–

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.

notes to the financial statements

33. FINANCIAL INSTRUMENTS (CONT'D)

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

	2004		2003	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Financial assets				
Quoted investments				
– Unit trust	**382**	**517**	2,317	2,611
– Share in Malaysia	**61**	**81**	61	66
– Shares outside Malaysia	**13,965**	**13,965**	11,603	20,611
Unquoted investments				
– Not practical to estimate fair value	**31,687**	*****	36,082	*
Term loan receivables – Non current	**16,535**	**17,527**	17,692	18,753
Financial liabilities				
Term loan – Non current	**4,764**	**4,764**	7,000	7,000
Islamic debt securities – Non-current	**120,000**	**116,121**	140,000	130,462
– Current	**20,000**	**20,000**	–	–
Company				
Financial asset				
Quoted investment				
– Unit trust	**382**	**517**	2,317	2,611
Financial liabilities				
Term loan – Non current	**3,000**	**3,000**	7,000	7,000
Islamic debt securities – Non-current	**120,000**	**116,121**	140,000	130,462
– Current	**20,000**	**20,000**	–	–

* See item (b) below.

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.

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Quoted investment (cont'd)

The Directors are of the view that the quoted market price as at 31 December 2004 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 and clinical trials 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 in addition to development of new products, which included the award of patents in Australia and the US, completion of certain manufacturing facility in Europe which is ready for commercial production, distribution agreements entered into with established pharmaceutical companies and the continued expansion plans.

(iii) During the year, the investee company announced a potential merger with a prominent pharmaceutical company and completed the Level One American Depository (ADR) programme. The investee company is currently preparing for the Level Two ADR programme (with US GAAP and full compliance with US Securities and Exchange Commission (SEC)). The listing will allow for the investee company's ADR to trade on the fully automated, screen based Small Cap NASDAQ market.

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 2004, the Directors took into consideration of the factors mentioned above.

(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.

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33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Unquoted investments (cont'd)

Not practical to estimate fair value (cont'd)

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.

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 1.1.2004**	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2004**
RM1.82 per share	5.4.1999	2,764,000	–	–	2,764,000	**–**
RM1.64 per share	20.8.1999	207,000	–	–	207,000	**–**
RM2.67 per share	21.8.2000	2,266,000	–	–	2,266,000	**–**
RM1.51 per share	17.8.2001	922,000	–	–	922,000	**–**
RM1.19 per share	4.6.2002	1,076,000	–	–	1,076,000	**–**
RM1.08 per share	4.6.2002	6,574,000	–	6,000	6,568,000	**–**
RM1.00 per share	28.9.2002	709,000	–	–	709,000	**–**
RM1.00 per share	11.4.2003	583,000	–	39,000	544,000	**–**
RM1.00 per share	15.10.2004	–	9,529,800	–	–	**9,529,800**
		15,101,000	9,529,800	45,000	15,056,000	**9,529,800**

The ESOS which became effective on 4 March 1999 has expired on 3 March 2004. Upon expiry of the existing ESOS, new ESOS has been implemented. The ESOS became effective on 28 July 2004 when the last of the requisite approvals was obtained and is valid for a period of five (5) years.

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**
25 February 2004	25,000	1.00	25,000	27,500
1 March 2004	6,000	1.08	6,480	6,420
1 March 2004	4,000	1.00	4,000	4,280
4 March 2004	10,000	1.00	10,000	10,400
	45,000		45,480	48,600

The Group received total proceeds of RM45,480 of which RM45,000 and RM480 was credited to Share Capital and Share Premium Accounts, respectively.

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35. ACQUISITION OF SUBSIDIARIES

On 1 April 2004, the Company acquired the entire issued and paid-up share capital in Asiaprise Biotech Sdn. Bhd. (formerly known as Asiaprise Sdn. Bhd.) ("APSB") for a total purchase consideration of RM43.0 million, 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. The acquisition was accounted for using the acquisition method of accounting.

The fair values of assets and liabilities assumed in the acquisition of Asiaprise Biotech Sdn. Bhd. and the cash flow effects are as follows:

	RM'000
Non current assets	
Property, plant and equipment	11,346
Current assets	729
Current liabilities	(7,720)
Long term liabilities	(2,101)
Net assets	2,254
Goodwill on acquisition	40,876
Cost of acquisition	43,130
Consideration paid, satisfied in cash	9,737
Expenses directly attributable to the acquisition, paid in cash	129
Bank overdraft of subsidiary acquired	1,847
Net cash outflow on acquisition	11,713

Effect of acquisition

The acquisition of Asiaprise Biotech had the following effect on the Group's assets and liabilities as at 31 December 2004:

	RM'000
Balance sheet:	
Property, plant and equipment	**18,934**
Investment	**1,902**
Current assets	**881**
Current liabilities	**(19,518)**
Long term liabilities	**(1,822)**
Net assets acquired	**377**
Goodwill on acquisitions	**40,876**
Increase in Group's net assets	**41,253**

	9 months ended 31.12.2004 RM'000
Income statement:	
Revenue	**3,324**
Operating costs	**(5,201)**
Decrease in the Group's net profit at the end of the financial year	**(1,877)**

35. ACQUISITION OF SUBSIDIARIES (CONT'D)

Effect of acquisition (cont'd)

During the year, THG Capital Sdn. Bhd. issued 9,393,900 redeemable preference shares of RM0.01 each at a premium of RM0.99 for cash for which the Company had further subscribed.

On 17 December 2004, the Company further subscribed to 245 ordinary shares of RM1 each in Amazon Plus Sdn. Bhd. for a cash consideration of RM245.

36. SIGNIFICANT EVENTS

On 5 November 2004, the Company has completed an internal restructuring and re-organisation exercise ("IRR") involving the Company and several of its subsidiaries. The IRR involves the intra-group transfer of some subsidiaries and assets within the Group with the following objectives to:-

(a) enhance tax efficiency of dividend payments from certain subsidiaries to shareholders of TH Group; and

(b) streamline the core businesses of the Group into divisible divisions of plantation, construction and timber operations.

The IRR involves the following transactions:-

(i) the acquisition by TH Group of a 100% equity interest in Tung Hup Palm Oil Mill Sdn. Bhd. ("THPOM") from Besatim Sdn. Bhd. ("BST") for a purchase consideration of RM40,739,697;

(ii) the acquisition by TH Group of a 100% equity interest in Tung Hup (Contracting) Sdn. Bhd. ("THC") from Tung Hup Enterprises Sdn. Bhd. ("THE") for a purchase consideration of RM76,080,828;

(iii) the acquisition by Tracpower Sdn. Bhd. ("TSB") of a 95% equity interest in PT THG Kontrak ("PTK") from THC for a purchase consideration of RM9,963,603;

(iv) the acquisition by THC of a 100% equity interest in THG Construction Sdn. Bhd. ("THGC") from TH Group for a purchase consideration of RM1,000,000;

(v) the acquisition by THC of a 70% equity interest in Sunshine Paradigm Sdn. Bhd. ("SSP") from THGC for a purchase consideration of RM700,000; and

(vi) the acquisition by THC of a 100% equity interest in Wisdirection Ventures Sdn. Bhd. ("WDSB") from THGC for a purchase consideration of RM10,000.

As part of the IRR, THC has also disposed some of its timber related fixed assets to TSB under an Asset Sale Agreement for a cash consideration of RM337,326.

The consideration for the transactions is effected solely by way of inter-company indebtedness. The IRR does not have material effects on the Group's earnings for the year ended 31 December 2004.

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37. SUBSEQUENT EVENTS

On 25 February 2005, the Company has announced that the Board has decided to withdraw its land clearing activities in Nunukan, Kalimantan, Indonesia due to the delay of the principal to obtain renewal of its land clearing licence since January 2004. The operation was awarded by the principal to PT THG Kontrak ("PTK"), a wholly owned subsidiary of the company.

The Directors have also decided to mobilise its machineries in Kalimantan back to Sabah. As a condition to mobilise the machineries, the Foreign Investment Board of Indonesia requires PTK to apply for deregistration. The necessary application to deregister PTK is subject to approval from the Trustee of Islamic Bondholders.

Notwithstanding the proposed deregistration, in the event the principal obtained renewal of licence, the Company is given the first right to revisit the project and recommence the operation, if so decided by the Directors.

At 31 December 2004, the carrying amount of assets of this Company was RM14,884,623 and its liabilities were RM19,541,426. During the financial year ended 31 December 2004, this Company incurred expenses of RM9,396,728 and incurred loss after tax of RM9,396,703. During the financial year ended 31 December 2004, the Company's cash flow generated from operating activities was RM3,228,184.