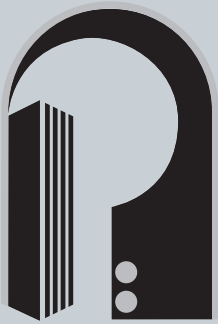


ANNUAL REPORT 2003



Perak Corporation Berhad (210915-U)
Incorporated in Malaysia

ANNUAL REPORT 2003

PERAK CORPORATION BERHAD (210915-U)

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(Incorporated in Malaysia)

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CORPORATE INFORMATION

Board of Directors

Dato' Ir. Haji Harun bin Ahmad Saruji DPMP, AMP (<i>Chairman</i>)	Non-Independent Non-Executive
Tuan Haji Megat Dziauddin bin Megat Mahmud	Non-Independent Non-Executive
Dato' Azian bin Osman DPMP, AMP	Non-Independent Non-Executive
Dr. Nawawi bin Mat Awin	Independent Non-Executive
Cik Noor Asmah bt. Mohd Nawawi	Independent Non-Executive
Datuk Haji Faisal bin Haji Siraj DMSM	Independent Non-Executive

Management Team

Dato' Samsudin bin Hashim DPMP, PMP, AMP	Group Chief Executive
Encik Harbhajan Singh Ujagar Singh	Group GM, Corporate Finance
Tuan Haji Ibrahim bin Yaacob	Group GM, Township Development
Dato' Ismail Mokhtar bin Mohd Noor DPMP, PMP, AMP	Group GM, Hotel & Hospitality
Tuan Haji Hamsidi bin Haji Shaharah	Group Assistant GM, Business Development
Hajah Sharifah Nor Hashimah bt. Syed Kamaruddin	Group Assistant GM, Land & Property
Puan Sharifah Hanizah bt. Syed Mustaffa	Group Manager, Finance

Audit Committee

Dr. Nawawi bin Mat Awin (*Chairman*)
Dato' Ir. Haji Harun bin Ahmad Saruji
Cik Noor Asmah bt. Mohd Nawawi

Nomination Committee

Cik Noor Asmah bt. Mohd Nawawi (*Chairperson*)
Dr. Nawawi bin Mat Awin
Datuk Haji Faisal bin Haji Siraj

Remuneration Committee

Dato' Azian bin Osman (*Chairman*)
Tuan Haji Megat Dziauddin bin Megat Mahmud
Cik Noor Asmah bt. Mohd Nawawi

Finance, Administration & Secretarial Committee

Dato' Ir. Haji Harun bin Ahmad Saruji (*Chairman*)
Dato' Azian bin Osman
Dato' Samsudin bin Hashim
Encik Harbhajan Singh Ujagar Singh

Business Development Committee

Dato' Ir. Haji Harun bin Ahmad Saruji (*Chairman*)
Dato' Samsudin bin Hashim
Encik Harbhajan Singh Ujagar Singh

Registered Office

7th Floor, Wisma Wan Mohamed,
Jalan Panglima Bukit Gantang Wahab,
30000 Ipoh, Perak Darul Ridzuan, Malaysia.
Tel (05) 242 7277, 242 7279, 242 7280
Fax (05) 242 7290
Email pkcorp@tm.net.my, pkcorp2@tm.net.my

Company Secretary

Cheai Weng Hoong (LS 05624)

Auditors

Ernst & Young (AF : 0039)
Chartered Accountants

Solicitors

Azman Davidson & Co.
Rusnah Loh & Ng

Registrar

Shared Services & Resources Sdn Bhd
Room 305, 3rd Floor, Asia Life Building,
45 Jalan Tun Sambanthan,
30000 Ipoh, Perak Darul Ridzuan, Malaysia.
Tel (05) 241 7762, 253 0760
Fax (05) 241 6761

Principal Bankers

Southern Bank Berhad
Citibank Berhad
Malayan Banking Berhad

Stock Exchange Listing

Malaysia Securities Exchange Berhad ("MSEB")
Main Board

Stock Code / Name – 8346 / PRKCORP

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at Dewan Persidangan, Tingkat 4, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan on Thursday, 27 May 2004, at 12.00 noon to transact the following businesses:-

AGENDA

- | | | |
|----|---|---------------------|
| 1. | To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2003 together with the Report of the Directors and Auditors thereon. | Resolution 1 |
| 2. | To approve the payment of a first and final dividend of 2 sen per share less income tax for the year ended 31 December 2003. | Resolution 2 |
| 3. | To approve the payment of Directors' fees for the year ended 31 December 2003. | Resolution 3 |
| 4. | To re-elect Dr. Nawawi bin Mat Awin who retires in accordance with Article 80 of the Company's Articles of Association. | Resolution 4 |
| 5. | To re-elect the following Directors who retire in accordance with Article 87 of the Company's Articles of Association: | |
| | a) Tuan Haji Megat Dziauddin bin Megat Mahmud | Resolution 5 |
| | b) Datuk Haji Faisal bin Haji Siraj | Resolution 6 |
| 6. | To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |

As special business:

7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature**

"**THAT** approval be and is hereby given pursuant to Paragraph 10.09, Part E of Chapter 10 of the Listing Requirements of Malaysia Securities Exchange Berhad for the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for day to day operations with the Related Parties, as detailed in Section 2.2 of the Circular to Shareholders of the Company dated 28 April 2004, subject to the following:

- (a) the transactions are carried out in the ordinary course of business on terms not more favourable to the Related Parties than those generally available to the public and not detrimental to minority shareholders of the Company; and

(b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders during the financial year based on the following information:

- (i) the type of the Recurrent Transactions made; and
- (ii) the names of the Related Parties involved in each type of the Recurrent Transactions made and their relationship with the Company.

THAT the approval given in the paragraph above shall only continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to section 143(1) of the Companies Act, 1965, (“the Act”), but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Act; or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

AND THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

8. To transact any other business appropriate to an Annual General Meeting of which due notice shall have been given in accordance with the Companies Act, 1965 and the Company’s Articles of Association.

By order of the Board

Cheai Weng Hoong
Company Secretary

Ipoh
28 April 2004

Resolution 8

NOTICE OF FIRST AND FINAL DIVIDEND PAYMENT AND CLOSURE OF REGISTER

Subject to the approval of the shareholders, a first and final dividend of 2 sen per share less income tax will be paid on 21 July 2004.

Notice is hereby given that the Register of Members of the Company will be closed on 30 June 2004, to determine shareholders' entitlement to the dividend payment.

A depositor will qualify for entitlement only in respect of:

- a) Share transferred into the Depositors' Securities account before 4.00 p.m. on 30 June 2004 in respect of ordinary transfers; and
- b) Share bought on the Malaysia Securities Exchange Berhad on a cum entitlement basis according to the Rules of the Malaysia Securities Exchange Berhad.

Notes:

1. *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead and Section 149 (1)(b) of the Companies Act, 1965 shall not apply.*
2. *When a member appoints more than one proxy the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.*
3. *Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy must be deposited at the Share Registrar's Office at Room 305, 3rd Floor, Asia Life Building, 45 Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.*
6. *The registration for the above Meeting will commence on Thursday, 27 May 2004 at 11.30 a.m.*

Explanatory Note

Resolution 8 Please refer to the Circular to Shareholders dated 28 April 2004 which is enclosed together with the Annual Report of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. DIRECTORS STANDING FOR RE-ELECTION AND THEIR DETAILS

RETIRING UNDER ARTICLE 80 OF THE COMPANY'S ARTICLES OF ASSOCIATION

(i) **Dr. Nawawi bin Mat Awin**

Independent Non-Executive Director, 66 years of age, Malaysian. He was appointed to the Board on 20 December 2001.

He has vast experience in the banking sector and served in several public and professional bodies, nationally and internationally. These include as Chairman or President of, inter alia, the Asian Productivity Organisation, the National Productivity Council of Malaysia, ASEAN Chamber of Commerce and Industry, the National Chamber of Commerce and Industry of Malaysia and the Malaysian Association of Certified Public Accountants. He was also a member of, inter alia, the National Economic Consultative Committee, the Panel and Takeovers and Mergers, Parliament and its Public Accounts Committee. He joined Coopers and Lybrand (now known as PriceWaterhouseCoopers) in 1966, and was Chairman and Senior Partner until 1993 when he retired from practice.

Other directorships in public companies:

- (a) MBM Resources Berhad
- (b) Rubberex Corporation (M) Berhad
- (c) Kennedy Burkill & Company Berhad
- (d) Clear Water Sanctuary Golf Management Berhad

Shareholdings in the Company: Direct – None
Indirect – None

Family relationship with any Director and/or major shareholder: None

He has no conflict of interest with the Company and has not been convicted of any offence in the past 10 years.

RETIRING UNDER ARTICLE 87 OF THE COMPANY'S ARTICLES OF ASSOCIATION

(i) **Tuan Haji Megat Dziauddin bin Megat Mahmud**

Non-Independent Non-Executive Director, 58 years of age, Malaysian. He was appointed to the Board on 4 June 2003.

He is a Fellow of the Institute of Chartered Accountants in Ireland and a Chartered Accountant with the Malaysian Institute of Accountants. He had previously served as a Treasury Accountant in the Accountant-General's Department, Finance Manager with Bank Simpanan Nasional and General Manager-Investment with Arab-Malaysian Merchant Bank Berhad. Currently, he is the Group Director-Finance of Golden Hope Plantations Berhad, a substantial shareholder of the Company.

Other directorship in a public company: Golden Hope Plantations Berhad

Shareholdings in the Company: Direct – None
Indirect – None

Family relationship with any Director and/or major shareholder: None

Save as disclosed above, he has no conflict of interest with the Company and has not been convicted of any offence in the past 10 years.

(ii) **Datuk Haji Faisal bin Haji Siraj**

Independent Non-Executive Director, 58 years of age, Malaysian. He was appointed to the Board on 16 January 2004.

He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. He is the Senior Group Director, Financial Services and Treasury of DRB-HICOM Berhad.

Other directorships in public companies:

- (a) DRB-HICOM Berhad
- (b) Edaran Otomobil Nasional Berhad
- (c) Gadek (Malaysia) Berhad
- (d) HICOM Holdings Berhad
- (e) Horsedale Development Berhad
- (f) Rebak Island Marina Berhad

Shareholdings in the Company: Direct – None
Indirect – None

Family relationship with any Director and/or major shareholder: None

He has no conflict of interest with the Company and has not been convicted of any offence in the past 10 years.

2. DETAILS OF GENERAL MEETING TO BE HELD

The Thirteenth Annual General Meeting of the Company shall be held at Dewan Persidangan, Tingkat 4, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan on Thursday 27 May 2004, at 12.00 noon.

3. DETAILS OF BOARD MEETING HELD

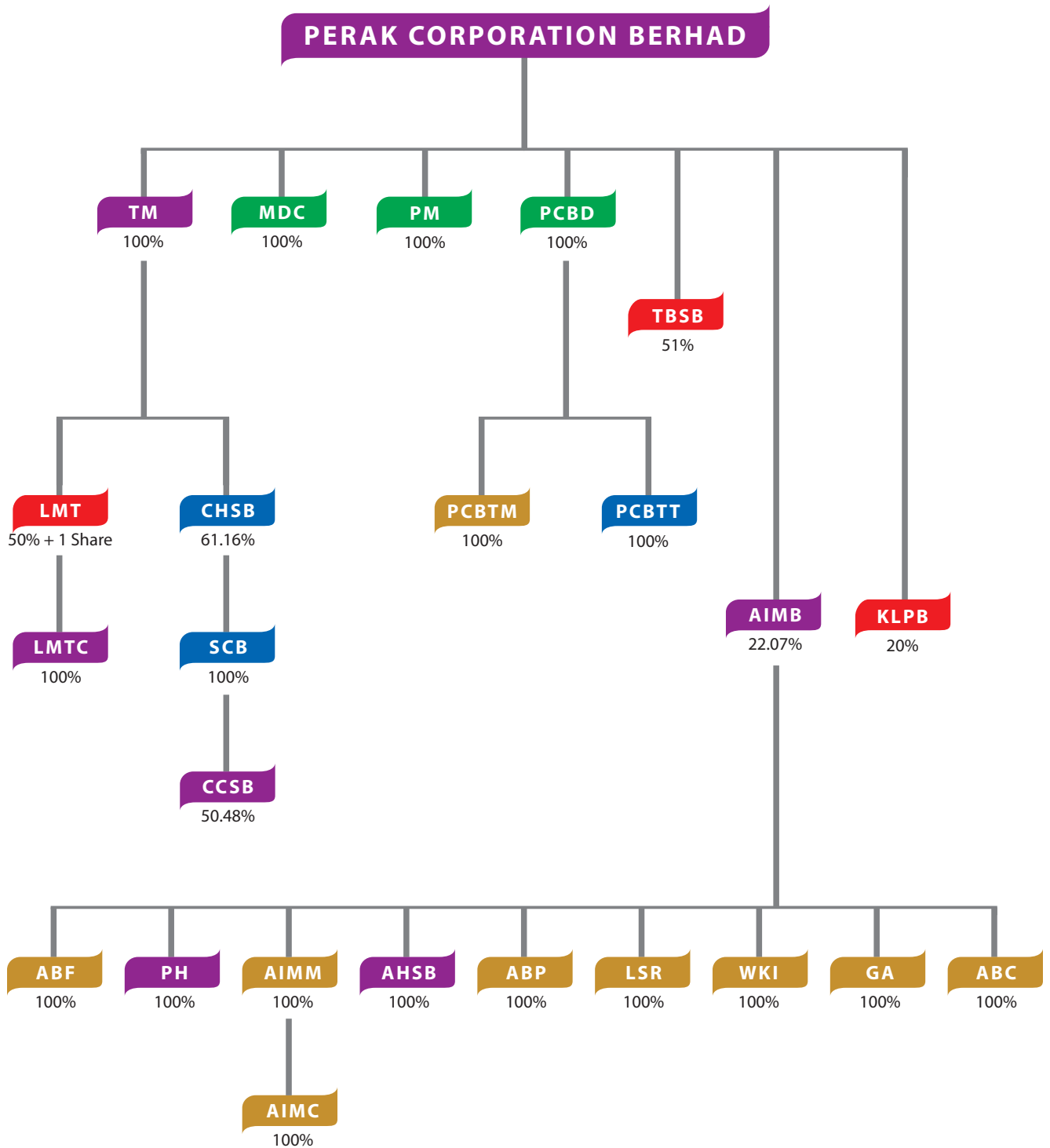
A total of four (4) Board of Directors' Meetings were held during the financial year ended 31 December 2003. All meetings were held at Bilik Gerakan, 8th Floor, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan.

4. ATTENDANCE OF DIRECTORS FOR THE YEAR 2003 AT BOARD MEETINGS HELD IN THE FINANCIAL YEAR 2003

	<i>Date of Appointment</i>	<i>Attendance</i>
(i) Dato' Ir. Haji Harun bin Ahmad Saruji	19 February 1997	4/4
(ii) Encik Kamaldeen bin Abdul Kader (resigned on 27 August 2003)	03 May 1994	3/3
(iii) Tuan Haji Iskhak bin Bardan (retired on 27 May 2003)	14 July 1998	2/2
(iv) Dato' Abd. Wahab bin Maskan (resigned on 4 April 2003)	16 December 1999	1/1
(v) Tuan Haji Megat Dziauddin bin Megat Mahmud	4 June 2003	2/2
(vi) Dr. Nawawi bin Mat Awin	20 December 2001	4/4
(vii) Dato' Haji Mohd Zaim bin Haji Abu Hasan (vacated office on 1 January 2004)	20 December 2001	1/4
(viii) Dato' Azian bin Osman	20 December 2001	3/4
(ix) Cik Noor Asmah bt. Mohd Nawawi	20 December 2001	4/4

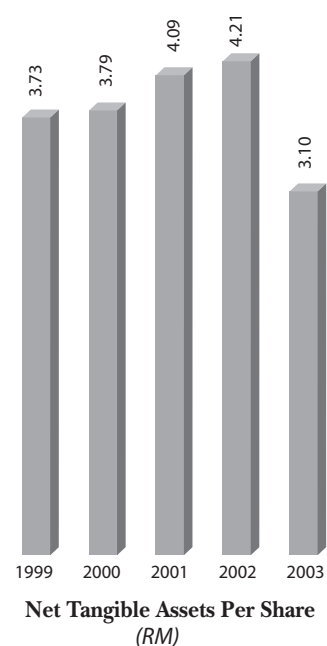
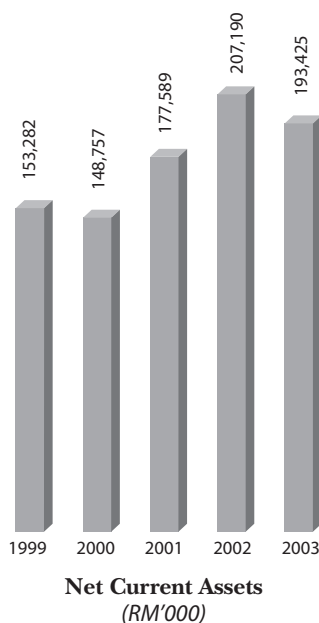
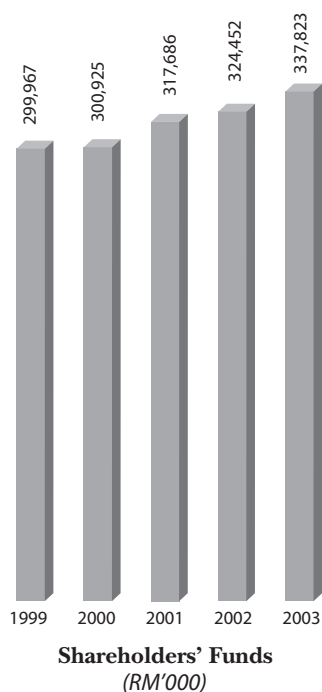
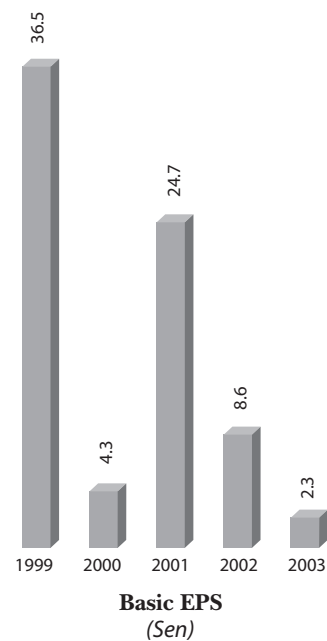
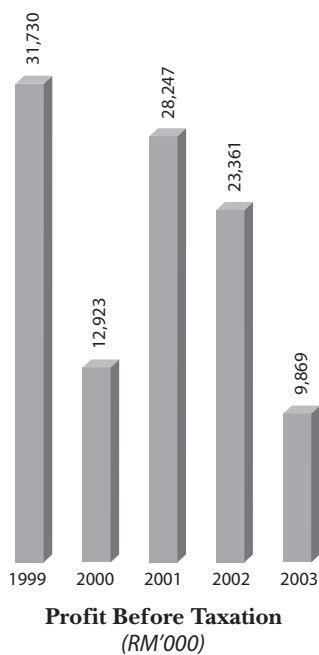
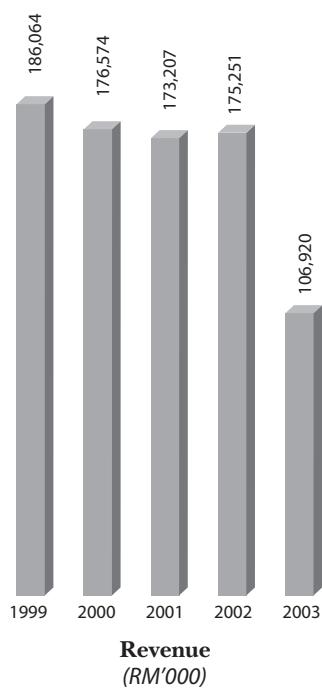
CORPORATE STRUCTURE

SUBSIDIARY/ASSOCIATE	PRINCIPAL ACTIVITIES	
TM	Taipan Merit Sdn Bhd	Investment holding
LMT	Lumut Maritime Terminal Sdn Bhd	Operation of port and port related activities and industrial park
LMTC	LMT Capital Sdn Bhd	Issuance and redemption of redeemable preference shares
CHSB	Cash Hotel Sdn Bhd	Hotelier, restaurateur and property developer
SCB	Silveritage Corporation Sdn Bhd	Development of tourism projects
CCSB	Cash Complex Sdn Bhd	Investment holding
MDC	Magni D'Corp Sdn Bhd	Property investment
PM	Premium Meridian Sdn Bhd	Property development
PCBD	PCB Development Sdn Bhd	Investment holding and real property development
PCBTM	PCB Trading & Manufacturing Sdn Bhd	Trading and manufacturing of building materials
PCBTT	PCB Transportation Travel & Tours Sdn Bhd	Provision of transport and travel services
TBSB	Trans Bid Sdn Bhd	Distribution, operation and management of water supply services
AIMB	Audrey International (M) Berhad	Investment holding and provision of management services
ABF	Audrey Body Fashion Sdn Bhd	Manufacturing of ladies' undergarments and leisure wear
PH	Pelita Hebat Sdn Bhd	Investment holding
AIMM	AIMB Marketing Sdn Bhd	Marketing and trading of ladies undergarments and leisure wear
AIMC	AIMB Cottonshop Sdn Bhd	Marketing and trading of ladies undergarments and leisure wear
AHSB	Anakku Holdings Sdn Bhd	Investment holding
ABP	Anakku Baby Products Sdn Bhd	Trading of children's wear and related products
LSR	Anakku LSR Baby Products Sdn Bhd	Trading of children's wear and related products
WKI	Weltex Knitwear Industries Sdn Bhd	Manufacturing and trading of children's wear and related products
GA	Generasi Arif (M) Sdn Bhd	Trading of children's wear and related products
ABC	Anakku Baby Connection Sdn Bhd	Retailing of children's wear and related products
KLPB	Konsortium LPB Sdn Bhd	Construction and operation of the West Coast Highway



- Manufacturing and consumer products
- Hotel, tourism and related services
- Infrastructure
- Township and property development
- Management services and others

FIVE-YEAR FINANCIAL HIGHLIGHTS



five-year **financial highlights**

Consolidated Income Statement for the Year Ended 31 December

	1999	2000	2001^(b)	2002^(b)	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	186,064	176,574	173,207	175,251	106,920
Profit before charging depreciation and finance costs	43,097	25,654	39,854	38,425	23,712
Depreciation/amortisation ^(a)	(8,693)	(8,688)	(8,168)	(7,342)	(1,937)
Finance costs	(2,674)	(3,817)	(3,201)	(7,525)	(12,553)
Share of results of associates	-	(226)	(238)	(197)	647
Profit before taxation	31,730	12,923	28,247	23,361	9,869
Taxation	(1,584)	(7,072)	(7,349)	(9,932)	(8,194)
Profit after taxation	30,146	5,851	20,898	13,429	1,675
Minority interests	(4,617)	(2,818)	(3,581)	(5,655)	431
Profit after tax and minority interests	25,529	3,033	17,317	7,774	2,106
Weighted average no. of ordinary shares ('000)	70,000	70,000	70,000	90,000	91,616
Basic earnings per share (sen)	36.5	4.3	24.7	8.6	2.3
Dividend declared (rate)	0%	2%	2%	2%	2%

Consolidated Balance Sheet as at 31 December

	1999	2000	2001^(b)	2002^(b)	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	70,000	70,000	70,000	70,000	100,000
Share premium	190,497	190,497	190,497	190,497	172,770
Retained profits	39,470	40,428	57,189	63,955	65,053
Shareholders' funds	299,967	300,925	317,686	324,452	337,823
Represented by:					
Property, plant and equipment	118,853	123,152	106,313	101,886	91,631
Land and development expenditure	141,369	142,189	131,677	123,271	138,824
Investment in associates	3,993	3,021	2,783	2,586	23,044
Other investments	40	4,663	4,648	4,648	4,623
Goodwill and other intangible assets	38,643	35,673	31,577	29,458	27,650
Sinking fund account	-	4,870	3,350	1,768	1,714
Deferred tax assets	-	-	800	1,707	840
	302,898	313,568	281,148	265,324	288,326
Current assets	296,639	327,607	340,684	381,863	353,946
Less: Current liabilities	(143,357)	(178,850)	(163,095)	(174,673)	(160,521)
Net current assets	153,282	148,757	177,589	207,190	193,425
Less: Non-current liabilities					
Long term liabilities	(27,835)	(30,787)	(10,460)	(84,544)	(80,840)
Minority interests	(128,378)	(130,613)	(130,591)	(63,518)	(63,088)
	299,967	300,925	317,686	324,452	337,823
Number of ordinary shares in issue of RM1.00 each ('000)	70,000	70,000	70,000	70,000	100,000
Net tangible assets per share (RM)	3.73	3.79	4.09	4.21	3.10

(a) A portion of these expenses is charged to land and development expenditure whereby profit attributable to the percentage of completion of each individual project has been recognised in the income statement.

(b) Certain figures have been reclassified and/or adjusted to conform with the requirements of the Malaysian Accounting Standards Board ("MASB") which are currently in force, and to reflect the effects of prior year adjustments.

SUMMARY OF PROPERTIES as at 31 December 2003

Location	Approximate Land Area (acres)	Tenure	Description	Date of Acquisition Approx. Age (Buildings) Net Book Value	Existing Use
Lot 6407N (PN 67134) Bandar Ipoh, Mukim Ulu Kinta, District of Kinta, Perak Darul Ridzuan.	0.73	Leasehold (99 years) expiring year 2081	9-storey office tower	10.1.1997 23 years RM10,939,499	Rented to Perbadanan Kemajuan Negeri Perak
Part of Lot 140407, 15437, 25459, 33004, 52566, 21310, 18202 Mukim Ulu Kinta, District of Kinta, Perak Darul Ridzuan.	194.62	Freehold	Agricultural land with approval for mixed development from Pejabat Pengarah Tanah & Galian	31.12.1997 – RM24,923,000	Agriculture (proposed for mixed development)
No. HSD 98757, PT 167585 Negeri Perak, Mukim Ulu Kinta, District of Kinta, Perak Darul Ridzuan.	5.00	Freehold	3-storey building	1.1.2002 2 years RM2,520,000	Rented to a private college
PT 171441 KA92916 Mukim Ulu Kinta, District of Kinta, Perak Darul Ridzuan (formerly Lot 138945 PN 43395).	5.49	Leasehold (99 years) expiring year 2100	Hotel	21.1.1985 17 years RM50,847,076	4-star hotel operations
Lot PT 2273, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan.	27.46	Leasehold (99 years) expiring year 2094	Waterbody	30.9.1995 8 years RM347,476	Port operations
Lot PT 6973, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan.	72.54	Leasehold (99 years) expiring year 2094	Wharf, warehouse & office complex building	10.4.1997 8 years RM74,396,614	Port operations

BOARD OF DIRECTORS

DATO' IR. HAJI HARUN BIN AHMAD SARUJI

Non-Independent Non-Executive Director

Dato' Ir. Haji Harun bin Ahmad Saruji, a Malaysian aged 67, was appointed to the Board on 19 February 1997. He serves as Chairman of the Board and since 26 March 2004, he is a member of the Audit Committee. He is a Civil Engineer by profession, has served in Government Departments and Statutory Bodies for over 35 years. Prior to his appointment to the Board, he was the Chief Executive of Perbadanan Kemajuan Negeri Perak ("PKNP"). He is also currently a member of the Board of Directors of KUB Malaysia Berhad ("KUB"), a company listed on the main board of the Malaysia Securities Exchange Berhad ("MSEB"). In addition, he sits on the Board of Directors of a number of subsidiaries of PCB and KUB. He is an Executive Director of PCB Development Sdn Bhd, a wholly owned subsidiary of PCB. He has attended all the 4 Board of Directors meetings held during the financial year ended 31 Desember 2003. He does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

DR. NAWAWI BIN MAT AWIN

Independent Non-Executive Director

Dr. Nawawi bin Mat Awin, a Malaysian aged 66, was appointed to the Board on 20 December 2001. He serves as Chairman of the Audit Committee and since 26 February 2004 he is a member of the Nomination Committee. He was Chairman and Senior Partner (1974-1982; 1985-1993) of Coopers and Lybrand (now known as PriceWaterhouseCoopers) Malaysia which he joined in 1966. He has vast experience in the banking sector and served in several public and professional bodies, nationally and internationally, including as Chairman or President of, inter alia, the Asian Productivity Organisation, the National Productivity Council of Malaysia, ASEAN Chamber of Commerce and Industry, the National Chamber of Commerce and Industry of Malaysia, the Malaysian Association of Certified Public Accountants and as a Member of, inter alia, the National Economic Consultative Committee, the Panel on Takeovers and Mergers, Parliament and its Public Accounts Committee. He is currently a member of the Board of Directors of MBM Resources Bhd and Rubberex Corporation (M) Berhad, both listed on the MSEB. In addition, he sits on the Board of Directors of Kennedy Burkill & Company Berhad and Clear Water Sanctuary Golf Management Berhad. He has attended all the 4 Board of Directors meetings held during the financial year ended 31 December 2003. He does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

DATO' AZIAN BIN OSMAN

Non-Independent Non-Executive Director

Dato' Azian bin Osman, a Malaysian aged 45, was appointed to the Board on 20 December 2001. He serves as the Chairman of the Remuneration Committee since 26 February 2004. He has been practising as an Advocate and Solicitor for more than 17 years and has wide knowledge and experience in the field of corporate, land and banking laws. He holds an LLB from the University of Malaya. Currently, he is a partner of a legal firm in Ipoh, Messrs Faisal, Azian & Co. that acts as panel lawyers for PKNP, one of the substantial shareholders of PCB. Dato' Azian also sits on the Board of Directors of Kinta Kellas Public Limited Company a company listed on both the MSEB and the London Stock Exchange, and several other private limited companies. He has attended 3 out of the 4 Board of Directors meetings held during the financial year ended 31 December 2003. Save as disclosed above, he does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

CIK NOOR ASMAH BINTI MOHD NAWAWI

Independent Non-Executive Director

Cik Noor Asmah binti Mohd Nawawi, a Malaysian aged 37, was appointed to the Board on 20 December 2001. She serves as Chairperson of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee. She graduated from International Islamic University, Malaysia with a Degree of in Law. Since then, she has been practising as an Advocate and Solicitor for more than 11 years. Currently, she is a partner of a legal firm in Ipoh, Messrs Asmah, Juhaida & Partners. She has attended all the 4 Board of Directors meetings held during the financial year ended 31 December 2003. She does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. She has no conviction for any offence within the past 10 years.

TUAN HAJI MEGAT DZIAUDDIN BIN MEGAT MAHMUD

Non-Independent Non-Executive Director

Tuan Haji Megat Dziauddin bin Megat Mahmud, a Malaysian aged 58, was appointed to the Board on 4 June 2003. He serves as a member of the Remuneration Committee since 26 February 2004. He is an Economics graduate from Queen's University of Belfast. He is a Fellow of the Institute of Chartered Accountants in Ireland and a Chartered Accountant with the Malaysian Institute of Accountants. He had previously served as a Treasury Accountant in the Accountant-General's Department, Finance Manager with Bank Simpanan Nasional and General Manager – Investment with Arab-Malaysian Merchant Bank Berhad. He is also a member of the Board of Directors of Golden Hope Plantations Berhad and several of Golden Hope Group's subsidiaries. Currently, he is the Group Director – Finance of Golden Hope Plantations Berhad which is one of the substantial shareholders of PCB. He has attended 2 out of the 2 Board of Directors meetings held during the financial year ended 31 December 2003 since his appointment on 4 June 2003. Save as disclosed above, he does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

DATUK HAJI FAISAL BIN HAJI SIRAJ

Independent Non-Executive Director

Datuk Haji Faisal bin Haji Siraj, a Malaysian aged 58, was appointed to the Board on 16 January 2004. He serves as a member of the Nomination Committee since 26 February 2004. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. He is the Senior Group Director, Financial Services and Treasury of DRB-HICOM Berhad. Prior to joining DRB-HICOM, he was with Malaysian Mining Corporation Berhad from 1976 to 1994, the last position held being Group Executive Director. He is currently a member of the Board of Directors of DRB-HICOM Berhad and Edaran Otomobil Nasional Berhad, both listed on the MSEB. In addition, he sits on the Board of Directors of Gadek (Malaysia) Berhad, HICOM Holdings Berhad, Horsedale Development Berhad and Rebak Island Marina Berhad. He did not attend any of the Board Directors meetings held during the financial year ended 31 December 2003 as his appointment only took place on 16 January 2004. He does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Perak Corporation Berhad, I am pleased to present the Annual Report and financial statements of the Group and the Company for the financial year ended 31 December 2003.

OVERVIEW

The Malaysian economy grew steadily during the first half of 2003 despite the uncertainties and challenges on the international front, which had dampened both global trade and domestic investor confidence. Boosted by a series of fiscal and monetary measures, the economy registered a commendable 4.5% expansion for the first half of 2003 (First half 2002: 2.6%). Growth was mainly driven by public and private consumption and, to some extent, by a rebound in gross fixed capital formation. The economy's resilience and the more positive outlook for the second half of 2003 have led to the expansion of the Gross Domestic Products ("GDP") growth to 5.2%.

FINANCIAL REVIEW

For the financial year ended 31 December 2003, the Group registered a revenue of RM106.9 million (2002: RM175.3 million). The decline is mainly due to the reduced contribution from the consumer segment as a result of the disposal of Anakku Holdings Sdn Bhd, which was completed on 11 February 2003. The Group achieved an operating profit before taxation of RM9.9 million (2002: RM23.4 million) and profit after taxation and minority interests for the Group totalled RM2.1 million (2002: RM7.8 million). The decrease is mainly due to the higher finance costs and increased costs for the completion of housing projects. The net tangible assets backing per share for the Group, as at 31 December 2003 was RM3.10 (2002: RM4.21) based on the number of ordinary shares in issue of RM1.00 each of 100 million (2002: 70 million).

At Company level, revenue for the year 2003 was registered at RM2.1 million with a profit before taxation of RM35.5 million as compared to a revenue of RM5.6 million in the year 2002, with a profit before taxation of RM2.2 million. Profit after taxation was recorded at RM34.8 million, as against that of RM1.7 million achieved in the year 2002. The higher profit in 2003 is mainly due to the disposal of a subsidiary, Anakku Holdings Sdn Bhd, which resulted in a gross gain of RM38.6 million.

REVIEW OF OPERATIONS

Township Development

The Group via its wholly owned subsidiary, PCB Development Sdn Bhd ("PCBD") is developing a self-contained 1080-acre, suburban development project known as Bandar Meru Raya, in the vicinity of Ipoh city, Perak, spanning over a period of over ten years and a projected population of 60,000 people.

Further to a Memorandum of Understanding signed in September 2002, PCBD entered into a Shareholders' Agreement with Rainbow Leisure Limited, a company based in India, to jointly develop a Water Theme Park and a Festival Market in Bandar Meru Raya. The rationale of the project is to create recreational facilities as one of the important components of the township. The focus will be to maximise and capitalise on the utilisation of the existing natural water bodies, landscape and geographical features. This in turn will contribute towards the overall enhancement of the township.

As part of the township development in Bandar Meru Raya, 63 acres of land has been allocated for government complexes and offices. The project involving the setting up of various government agencies such as a mini Kementerian Dalam Negeri ("KDN") with a total project cost of RM42 million, which commenced in June 2003, is going on schedule and completion is expected by December 2004. Expected profits from the project shall enhance the segment's profitability in the coming year.

The Company has been allocated about 465 acres of land ("the land") in the Mukim Ulu Bernam, Perak, adjacent to the Proton City at Tanjung Malim/Bernam in consideration of the relocation of "Perladangan Haiwan Behrang Ulu" from Behrang to Lenggong and Pondok Tanjung, Perak. Development potential for the land in the near future is tremendous with its close proximity to the second Proton plant and Universiti Pendidikan Sultan Idris, which will create a stimulus for a new growth centre. To date, the 1,000-acre area of Pusat Ternakan Haiwan ("PTH") Lenggong is more than 80% completed and is expected to be delivered to Jabatan Pusat Haiwan ("JPH") before the end of 2004. Development in another 500-acre area of PTH Lenggong is being carried out in various stages including site clearing and preparation, reconstruction of vegetation, bulk excavation, access roads, water supply, paddock fencing, mini stores, grass planting and other related works. For the proposed 3,500-acre area at PTH Pondok Tanjung, it is currently at the development and planning stage, and actual work will commence soon. In the meantime, groundwork is being carried out with the various technical departments to ensure that the development's aim is in line with the needs of the departments concerned.

Despite the slow economic growth of the property development sector, this segment contributed to the Group's revenue by achieving RM27.9 million (2002: RM16.8 million) with profit before taxation totalling RM2.6 million (2002: RM2.5 million) in the current financial year.

Hospitality and Tourism

The Group's interest in the hospitality industry is through the hotel operations under Cash Hotel Sdn Bhd ("CHSB").

Despite the uncertainties clouding the tourism industry in the region due to the Severe Acute Respiratory Syndrome ("SARS") and the avian flu epidemic, the segment managed to achieve a revenue of RM24.1 million (2002: RM18.2 million) and profit before taxation of RM2.3 million (2001: RM1.2 million). The revenue figure include that attributable to the development project of RM11.1 million (2002: RM4.4 million).

CHSB had entered into an agreement with Badan Perhubungan UMNO Negeri Perak to dispose of part of its land next to the hotel building measuring 39,845 sq. ft. together with a building to be constructed by CHSB for a total consideration of RM9.7 million. The project was completed and delivered in July 2003. The UMNO building was officiated by the Prime Minister, Datuk Seri Abdullah Ahmad Badawi on 16 February 2004.

Infrastructure

The Group's contributor in this segment is via its subsidiary, Lumut Maritime Terminal Sdn Bhd ("LMT"), which is actively involved in the following: -

i) LMT Terminal

The Port and Industrial Park are both situated 3 km from the town of Sitiawan and the Port is strategically located at the sheltered approaches and anchorage in the Dinding Rivers (Perak) directly off the Straits of Malacca.

Tonnage throughput for the year 2003 stood at 2.1 million metric tonnes ("MT") (2002: 1.9 million MT) and the number of vessel/ barge calls for the year was 350 (2002: 357) respectively, an increase and decrease of 10.5% and 2.0% as compared to the previous year.

Contributions in terms of revenue and profit before taxation ("PBT") for 2003 were RM14.3 million and RM2.8 (2002: RM13.9 million and RM4.6 million) respectively, an increase and decrease of 2.9% and 39.1% as compared to the previous year.

ii) LBT Operations and Maintenance

LMT is the appointed operator and manager, of the Lekir Bulk Terminal ("LBT") for 15 years. Total throughput for the year 2003 stood at 3.4 million MT (2002: 1.0 million MT) and the number of vessel calls was 48 (2002: 14) Panamax/Capemax vessels. The throughput level of the LBT terminal depends primarily on the operational schedule of TNB Janamanjung Sdn Bhd ("TNBJ"), a RM6.0 billion, 2100 MW coal-fired power plant.

Contributions in terms of revenue and PBT for 2003 were RM23.6 million and RM12.3 million (2002: RM11.0 million and RM6.7 million) respectively, an increase of 114.5% and 83.6% as compared to the previous year.

iii) Lumut Port Container Line ("LPCL") Container Feeder Services

LMT through LPCL is currently operating an integrated Container Feed Services to provide users a better alternative by land to/from the port by sea to/from and transshipment at Port Klang. This is a dedicated container feeder service to and from Port Klang with two fixed-day sailing each week. LPCL provides total packaging services to and from client's doorstep to final destination.

2003 is the second full year of operation for this unit, whereby encouragement of clients to utilise the service is on-going. However, given the long gestation period, the service is operating at a loss. Returns are expected to improve in the future.

CORPORATE REVIEW

The disposal of the Company's entire interest in the issued and paid-up share capital of Anakku Holdings Sdn Bhd to Audrey International (M) Berhad ("AIMB") for RM50 million was completed on 11 February 2003. The Group's involvement in the manufacturing and consumer products segment is thus restricted to the profits of its associated company namely the enlarged AIMB Group, which contributed profit before taxation of RM0.6 million for year 2003.



Perak Corporation Berhad Chairman, Dato' Ir Haji Harun bin Ahmad Saruji (*first from left*), hits the gong to mark the start of trade in the Company's shares on the main board of MSEA on 5 December 2003. With him are his fellow directors. *From his left:* Cik Noor Asmah bt. Mohd Nawawi, Dr Nawawi bin Mat Awin, Dato' Azian bin Osman and Tuan Haji Megat Dziauddin bin Megat Mahmud.

The Company's 10 million new ordinary shares at RM1.27 per share have been successfully placed with interested investors and listed on 13 November 2003. The Company's entire issued and paid-up share capital was successfully transferred from the Second Board to the Main Board of the Malaysia Securities Exchange Berhad ("MSEA") on 5 December 2003. The Company's bonus issue, of one new share for four existing shares, resulting in 20 million new ordinary shares were granted listing and quotation on 24 December 2003. The Company's issued and paid-up share capital currently stand at RM100 million.

PROSPECTS FOR YEAR 2004

The global economic outlook has improved significantly since the end of the US-Iraq war and the containment of the deadly SARS. The growth momentum in Malaysia is expected to pick up more strongly in the year 2004, for which the GDP forecast was adjusted to 6.3% as compared to the 6.0% projected earlier.

With required preparedness, sound and prudent business decisions and strategies together with cost-cutting measures in the ordinary course of business, the Group shall strive to improve the financial performance in 2004.

DIVIDEND

The Board of Directors of the Company is pleased to recommend, as in the previous year, a first and final dividend of 2 sen per share less 28% taxation, for approval at the forthcoming Annual General Meeting.

The recommended dividend upon approval by shareholders in the forthcoming Annual General Meeting shall be paid on 21 July 2004.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our warm welcome to Tuan Haji Megat Dziauddin bin Megat Mahmud and Datuk Haji Faisal bin Haji Siraj to the Board. At the same time, I would like to take this opportunity to express our gratitude to Tuan Haji Iskhak bin Bardan, Encik Kamaldeen bin Abdul Kader and Dato' Haji Mohd Zaim bin Haji Abu Hasan, who have served on the Board, for their contributions. I wish them every success in their future endeavours.

Our performance has been made possible with the full dedication, loyalty and commitment of my fellow Directors, management, staff, together with the unwavering support of our clients, customers, suppliers and business associates, bankers, various government authorities and shareholders.

Finally, on behalf of the Board of Directors, I wish to express our appreciation and heartfelt thanks to their continuous support and assistance in contributing positively in achieving the results.

DATO' IR. HAJI HARUN BIN AHMAD SARUJI DPMP, AMP
Chairman

28 April 2004

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah Perak Corporation Berhad, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Kumpulan dan Syarikat bagi tahun kewangan berakhir 31 Disember 2003.

TINJAUAN KESELURUHAN

Pertumbuhan ekonomi Malaysia yang meningkat sekata pada pertengahan tahun pertama 2003 walaupun ketidakpastian harapan dan cabaran pada barisan antarabangsa, menjurus kepada kelembapan kedua-dua perdagangan global dan keyakinan pelabur domestik. Pelaksanaan beberapa siri langkah fiskal dan kewangan telah mencatatkan perkembangan ekonomi yang memberangsangkan sebanyak 4.5% pada setengah tahun pertama 2003 (Setengah tahun pertama 2002: 2.6%). Pertumbuhan ini adalah hasil dari kepenggunaan awam dan swasta beserta pulangan balik dalam pembentukan kasar modal tetap. Dengan ekonomi dijangka pulih dan pandangan positif untuk setengah tahun kedua 2003 menjurus kepada peningkatan unjuran Keluaran Dalam Negeri Kasar ("KDNK") sebanyak 5.2%.

TINJAUAN SEMULA KEWANGAN

Bagi tahun kewangan berakhir 31 Disember 2003, Kumpulan mencatat perolehan RM106.9 juta (2002:RM175.3 juta). Penurunan ini disebabkan pengurangan sumbangan dari segmen pengeluaran barangan pengguna kesan dari pelupusan Anakku Holdings Sdn Bhd yang disempurnakan pada 11 Februari 2003. Kumpulan mencapai keuntungan sebelum cukai sebanyak RM9.9 juta (2002: RM23.4 juta) dan keuntungan selepas cukai dan kepentingan minoriti bagi Kumpulan berjumlah RM2.1 juta (2002: RM7.8 juta). Penurunan disebabkan daripada peningkatan kos kewangan dan peningkatan kos penyiapan projek perumahan. Aset ketara bersih sesaham bagi Kumpulan pada 31 Disember 2003 adalah RM3.10 (2002: RM4.21) berasas kepada bilangan syer biasa yang diterbitkan pada RM1.00 seunit untuk 100 juta (2002: 70 juta).

Pada peringkat Syarikat, perolehan tahun 2003 dicatat sebanyak RM2.1 juta menghasilkan keuntungan sebelum cukai sebanyak RM35.5 juta berbanding RM5.6 juta pada tahun 2002, dengan keuntungan sebelum cukai berjumlah RM2.2 juta. Keuntungan selepas cukai dicatat pada RM34.8 juta berbanding RM1.7 juta pada tahun 2002. Kenaikan keuntungan pada 2003 adalah dari hasil penjualan syarikat anak, Anakku Holdings Sdn Bhd yang menghasilkan keuntungan kasar sebanyak RM38.6 juta.

TINJAUAN SEMULA AKTIVITI-AKTIVITI

Kumpulan melalui syarikat anak milik penuh, PCB Development Sdn Bhd ("PCBD") sedang membangunkan sebuah projek bandar baru serba lengkap atas 1,080 ekar tanah dikenali sebagai Bandar Meru Raya di persisiran Bandaraya Ipoh, Perak, untuk tempoh perancangan sepuluh tahun dan dijangkakan berpenduduk seramai 60,000 orang.

Sehubungan kepada Memorandum Persefahaman yang ditandatangani pada September 2002, PCBD memasuki satu Shareholders' Agreement dengan Rainbow Leisure Limited, sebuah syarikat yang berpusat di India untuk pembangunan bersama Taman Tema Air dan Pasar Budaya di Bandar Meru Raya. Rasional projek ini ialah pembinaan kemudahan rekreasi yang merupakan komponen penting dalam pembangunan Bandar Meru Raya. Pembangunan berfokus kepada kepenggunaan sepenuhnya ciri-ciri semulajadi yang sedia ada, iaitu air, landskap dan persekitaran geografi. Oleh itu, pembangunan ini akan menyumbang kepada perkembangan keseluruhan bandar baru itu.

Sebahagian daripada pembangunan Bandar Meru Raya, diperuntukkan 63 ekar untuk kompleks kerajaan dan pejabat. Projek merangkumi penempatan jabatan-jabatan kerajaan seperti mini Kementerian Dalam Negeri ("KDN") dengan jumlah kos projek RM42 juta, yang dimulakan pada Jun 2003, masih dalam peringkat pembinaan yang

mana jangkakan siap keseluruhan pada Disember 2004. Jangkaan keuntungan dari projek ini dapat meningkatkan keuntungan segmen ini pada tahun akan datang.

Syarikat diperuntukan 465 ekar tanah di Mukim Ulu Bernam, Perak, bersebelahan Bandaraya Proton di Tanjung Malim/Bernam, sebagai ganjaran atas penempatan semula Perladangan Haiwan Behrang Ulu dari Behrang ke Lenggong dan Pondok Tanjung, Perak. Tapak itu mempunyai potensi pembangunan yang tinggi kerana lokasinya yang bersebelahan dengan kilang Proton kedua dan Universiti Pendidikan Sultan Idris akan mewujudkan rangsangan untuk satu pusat pembangunan baru. Sehingga kini tapak Pusat Ternakan Haiwan seluas 1,000 ekar telah siap 80% dan akan diserahkan kepada Jabatan Pusat Haiwan ("JPH") sebelum akhir 2004. Pembangunan bagi selebihnya, 500 ekar untuk PTH Lenggong sedang dilaksanakan pada peringkat-peringkat tertentu termasuk kerja-kerja pembersihan dan penyediaan tapak, penebangan pokok, 'bulk excavation', jalan masuk, bekalan air, memagar paddock, mini stor, penanaman rumput dan kerja-kerja lain yang berkaitan. Bagi cadangan 3,500 ekar kawasan di PTH Pondok Tanjung yang sekarang berada di tahap perancangan dan pembangunan, pelaksanaan akan dimulakan dalam masa terdekat. Terkini, kerja-kerja asas dengan jabatan-jabatan teknikal yang berkaitan sedang dijalankan untuk memastikan pembangunan selari dengan keperluan jabatan-jabatan berkaitan.

Di sebalik kelembapan ekonomi di sektor pembangunan hartanah, segmen ini menyumbang perolehan untuk Kumpulan dengan mencapai RM27.9 juta (2002: RM16.8 juta) dengan keuntungan sebelum cukai berjumlah RM2.6 juta (2002: RM2.5 juta) pada tahun kewangan semasa.

PERHOTELAN DAN PELANCONGAN

Keputusan Kumpulan dalam segmen ini adalah melalui urusniaga perhotelan di bawah Cash Hotel Sdn Bhd ("CHSB").

Di samping pasaran yang tidak ketentuan pada industri pelancongan disebabkan serangan wabak Sindrom Pernafasan Akut Teruk ("SARS") dan selsema burung pada persekitaran ini, segmen ini mampu mencapai perolehan RM24.1 juta (2002: RM18.2 juta) dan keuntungan sebelum cukai RM2.3 juta (2002: RM1.2 juta). Jumlah perolehan merangkumi nilai dari projek pembangunan RM11.1 juta (2002: RM4.4 juta).

Cash Hotel Sdn Bhd ("CHSB") telah memasuki satu perjanjian dengan Badan Perhubungan UMNO Negeri Perak untuk melupuskan tapak bersebelahan hotel berkeluasan 39,845 kaki persegi beserta pembinaan sebuah bangunan dengan perolehan RM9.7 juta. Pembinaan telah siap dan diserahkan pada Julai 2003. Bangunan UMNO Perak dirasmikan oleh YAB Perdana Menteri, Datuk Seri Abdullah bin Ahmad Badawi pada 16 Februari 2004.

INFRASTRUKTUR

Sumbangan Kumpulan dalam segmen ini ialah melalui syarikat anak, Lumut Maritime Terminal Sdn Bhd ("LMT") yang aktif dalam aktiviti-aktiviti berikut:

i) Terminal LMT

Pelabuhan dan Taman Perindustrian terletak 3 km dari Sitiawan. Lokasi Pelabuhan sangat strategik di kawasan lintasan tuju dan bagan yang terlindung di tepi Sungai Dinding (Perak) sejurus keluar ke Selat Melaka.

Pengendalian tanan untuk tahun 2003 tercatat 2.1 juta tan metrik ("MT") (2002: 1.9 juta MT) dan bilangan kapal/baj yang melawat pada tahun itu ialah 350 (2002: 357), iaitu satu peningkatan 10.5% dan penurunan 2.0% masing-masing berbanding tahun sebelumnya.

Sumbangan perolehan dan keuntungan sebelum cukai ("PBT") dalam 2003 ialah sebanyak RM14.3 juta dan RM2.8 juta (2002: RM13.9 juta dan RM4.6 juta) masing-masing, iaitu satu peningkatan 2.9% dan penurunan 39.1% berbanding tahun sebelumnya.

ii) **LBT: Operasi dan Penyelenggaraan**

LMT telah dilantik untuk mengusaha dan mengurus Lekir Bulk Terminal ("LBT") bagi tempoh 15 tahun. Jumlah pengendalian untuk tahun 2003 dicatat ialah 3.4 juta MT (2002: 1.0 juta MT) dan bilangan kapal yang melawat ialah 48 (2002: 14) Panamax/Capemax. Paras pengendalian terminal LBT bergantung utamanya, atas jadual operasi TNB Janamanjung Sdn Bhd ("TNBJ"), sebuah loji janakuasa arang batu 2100 MW bernilai RM6.0 bilion.

Sumbangan perolehan dan PBT bagi tahun 2003 adalah RM23.6 juta dan RM12.3 juta (2002: RM11.0 juta dan RM6.7 juta) masing-masing, iaitu satu peningkatan 114.5% dan 83.6% berbanding tahun sebelumnya.

iii) **Lumut Port Container Line ("LPCL") Perkhidmatan Pengangkutan Kontena**

LMT melalui LPCL menjalankan perkhidmatan pengangkutan kontena yang bersepadu. Perkhidmatan ini memberi alternatif kepada pengguna sama ada perjalanan darat ke/dari pelabuhan, perjalanan laut ke/dari dan pemindahan di Pelabuhan Kelang. Khidmat pengangkutan kontena ini adalah satu perjalanan terus pergi dan balik dari Pelabuhan Kelang dengan pelayaran tetap 2 hari seminggu. LPCL juga menyediakan khidmat pembungkusan lengkap dari tempat pelanggan ke destinasi akhir.

2003 ialah tahun kedua unit ini beroperasi yang mana galakan menggunakan perkhidmatan masih berterusan. Oleh kerana usaha ini memerlukan masa untuk mendatangkan hasil, operasi perkhidmatan ini masih dalam kerugian. Namun, pulangan pada masa hadapan dijangka lebih baik.

TINJAUAN KORPORAT

Pelupusan kepentingan Syarikat kesemua modal diterbit dan berbayar dalam Anakku Holdings Sdn Bhd kepada Audrey International (M) Berhad ("AIMB") dengan harga RM50 juta disempurnakan pada 11 Februari 2003. Penglibatan Kumpulan dalam segmen pembuatan dan barangan pengguna adalah terhad kepada keuntungan syarikat sekutunya iaitu dari perluasan kumpulan AIMB, yang menghasilkan keuntungan sebelum cukai RM0.6 juta untuk tahun 2003.

Bagi 10 juta syer biasa baru Syarikat pada RM1.27 seunit telah disempurna transaksi penempatan persendirian pada pelabur yang berminat dan disenaraikan pada 13 November 2003. Usaha pemindahan penyenaaran ke Papan Utama, Malaysia Securities Exchange Berhad disempurnakan pada 5 Disember 2003. Syer bonus Syarikat, iaitu satu syer biasa baru bagi setiap empat syer biasa sedia ada telah menghasilkan 20 juta syer biasa baru yang diluluskan untuk penyenaaran dan sebutharga pada 24 Disember 2003. Modal diterbit dan berbayar bagi Syarikat setelah penyenaaran baru ialah RM100 juta.

PROSPEK UNTUK TAHUN 2004

Ekonomi global bertambah baik sejak berakhirnya perang Amerika-Iraq dan pengawalan wabak SARS. Momentum pertumbuhan bagi Malaysia dijangka akan lebih memberangsangkan pada tahun 2004, di mana anggaran unjuran KDNK meningkat kepada 6.3% berbanding dari 6.0% pada anggaran awalnya.

Dengan persediaan rapi serta langkah-langkah dan tindakan yang bijak dalam mencapai keputusan perniagaan dan pengaturan strategi beserta langkah-langkah pengurangan kos di dalam semua aspek, Kumpulan berkeyakinan akan meningkatkan pencapaian prestasi kewangan dalam tahun 2004.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mengisytiharkan, seperti pada tahun sebelumnya, dividen pertama dan akhir sebanyak 2 sen setiap syer ditolak 28% cukai, dan akan dibayar pada 21 Julai 2004 tertakluk kepada kelulusan pemegang-pemegang saham pada Mesyuarat Agung Tahunan.

PENGHARGAAN

Bagi pihak Ahli Lembaga Pengarah, saya mengalu-alukan perlantikan Tuan Haji Megat Dziauddin bin Megat Mahmud dan Datuk Haji Faisal bin Haji Siraj sebagai ahli di dalam Lembaga Pengarah ini. Saya mengambil kesempatan merakamkan penghargaan, atas sumbangan perkhidmatan, kepada Tuan Haji Iskhak bin Bardan, Encik Kamaldeen bin Abdul Kader dan Dato' Haji Mohd Zaim bin Haji Abu Hasan. Saya mengucapkan semoga berjaya di dalam usaha-usaha seterusnya.

Pencapaian ini hasil daripada sumbangan usaha yang dedikasi, kesetiaan dan komitmen daripada rakan-rakan ahli Lembaga Pengarah, pengurusan, warga kerja dan sokongan padu daripada pelanggan, pembekal, rakan niaga, ahli-ahli perbankan, penguatkuasa kerajaan dan pemegang-pemegang saham.

Akhir kata, bagi pihak Lembaga Pengarah, saya merakamkan penghargaan dan terima kasih di atas sokongan padu dan kerjasama yang berterusan di dalam menyumbang keputusan yang positif.

DATO' IR. HAJI HARUN BIN AHMAD SARUJI DPMP, AMP

Pengerusi

28 April 2004



TAIPAN MERIT SDN. BHD.
(354815-T)

**PCB DEVELOPMENT
SDN. BHD.** (445038-U)



CASH HOTEL SDN. BHD.
(120530-H)



AUDREY INTERNATIONAL (M) BHD.
(163155-W)

MAGNI D'CORP SDN. BHD.
(235802-V)



**PREMIUM MERIDIAN
SDN. BHD.** (552661-A)



**LUMUT MARITIME TERMINAL
SDN. BHD.** (180480-D)



KONSORTIUM LPB SDN. BHD.
(339890-P)

STATEMENT ON CORPORATE GOVERNANCE

The Board welcomes the Malaysian Code on Corporate Governance (the “Code”) as it sets out principles (Part 1) and best practices (Part 2) on structures and processes the Group may use in their operations towards achieving the optimal framework in the discharge of its responsibilities to protect and enhance shareholders value and the financial performance of the Group.

The Principles and Best Practices of the Code published in October 2000, were incorporated into the revamped Listing Requirement of the Malaysia Securities Exchange Berhad (“MSEB”) with effect from 1 June 2001. The principles of the Code are divided into four sections:

Section 1: Directors

Section 2: Directors’ Remuneration

Section 3: Shareholders

Section 4: Accountability and Audit

In preparing this report, the Board has considered the manner in which it has applied these Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

SECTION 1: DIRECTORS

Composition of the Board

The Board has six members as at the date of the Annual Report, all of whom are non-executive directors. Of this, three are independent and the rest are non-independent. No individual or group of individuals dominates the Board’s decision making and the number of directors fairly reflects the nominees of each of the Company’s major shareholders.

Dato’ Ir. Haji Harun bin Ahmad Saruji is the Chairman of the Board while Dato’ Samsudin bin Hashim, who is a non-board member, leads the management team. There is a clear division of responsibility between these two roles and between the non-executive board members and the executive non-board management team to ensure a balance of power and authority.

The Company considers that its complement of non-executive directors provide an effective Board with a mix of industry-specific knowledge and business and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgement to many aspects of the Company’s strategy and performance so as to ensure that the Company maintains the highest standard of conduct and integrity. The profile of the Board members are set out on pages 13 and 14.

More than one-third of the Board are independent directors since the Company recognises the contribution of independent directors as equal Board members in the development of the Company’s strategy, the importance of representing the interest of public shareholders and providing a balanced and independent view to the Board. All independent directors are independent of management and free from any relationship that could interfere with their independent judgement. The appointment of Dr. Nawawi bin Mat Awini as the Senior Independent Non-Executive Director has been made based on his vast business experience and to whom concerns by other independent directors may be conveyed.

Board Responsibilities

The Board retains full and effective control of the Company. This includes responsibility for determining the Company’s overall strategic direction as well as development and control of the Group. Key matters, such as approval of annual and interim results, material acquisitions and disposals, as well as material agreements are reserved for the Board.

The Board has a minimum of four regularly scheduled meetings annually, with additional meetings convened when urgent and important decisions need to be taken between scheduled meetings. In 2003, the Board held meetings on the following dates: 25 February, 27 May, 26 August, and 18 November. At each scheduled meeting, there is a full financial and business review and discussion, including trading and financial performance to date against annual budget and financial plan previously approved by the Board for that year. The details of meeting attendance of each individual director are set out on page 7.

The Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee (please refer to the Report on Audit Committee set out on pages 32 to 35), a Nomination Committee and Remuneration Committee.

The Board has also set up a Financial, Administrative and Secretarial Executive Committee (“FASC”) to assist the Board to evaluate major operating issues which arise out of the ordinary course of business. The FASC also reviews Annual Budgets before they are submitted to the Board and annual salary reviews of the employees of the Company. The FASC comprises a non-independent non-executive director, the Group Chief Executive, the Group General Manager, Corporate Finance and headed by the Chairman of the Board.

Supply of Information

Each Board member receives quarterly operating results, including comprehensive review and analysis. Prior to each Board meeting, directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be properly informed before the meeting.

Directors have access to all information within the Company whether as full board or in their individual capacity, in furtherance to their duties. Directors have also direct access and the services of the Company Secretary who is responsible for ensuring that Board procedures are followed.

The Board as a whole determines whether to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Company’s expense.

Appointments of the Board and Re-election

The Board has a Nomination Committee, which was established on 20 December 2001. The composition of the Nomination Committee as at 28 April 2004 comprises three non-executive directors, all of whom are independent. The members are Dr. Nawawi bin Mat Awin, Datuk Haji Faisal bin Haji Siraj and headed by Cik Noor Asmah bt. Mohd Nawawi. This Committee is empowered to bring to the Board recommendations as to the appointment of any new executive or non-executive director.

The Board through the Nomination Committee ensures that it recruits to the Board individuals of sufficient calibre, knowledge and experience to fulfill the duties of a director. The Chairman of the Board together with the Group Chief Executive shall give informal briefings to the new directors. All Directors have attended the Mandatory Accreditation Programme as prescribed by the MSEB. The Directors are also encouraged to attend the Continuous Professional Education accredited courses and seminars from time to time.

The Directors have direct access to the advice and services of the Company Secretary, who is responsible for ensuring that all appointments are properly made and all necessary information are obtained from Directors, both for the Group’s own records and for the purposes of complying with the requirements of the Companies Act 1965, Listing Requirements of the MSEB and other regulatory requirements. Upon

appointment, Directors are advised of their legal and other obligations as a director of a public listed company.

In accordance with the Company's Articles of Association ("the Articles"), all Directors who are appointed by the Board are subject to election at the next Annual General Meeting ("AGM") after their appointment. The Articles also provided that at least one-third of the Board is subject to re-election at regular intervals of at least once every three years.

During the financial year, a Nomination Committee meeting was held on 27 May 2003 and attended by two out of its three members. The members of the Nomination Committee then comprised of Encik Kamaldeen bin Abdul Kader (resigned on 27 August 2003), Dato' Haji Mohd Zaim bin Haji Abu Hasan (vacated office on 1 January 2004) and headed by Cik Noor Asmah bt. Mohd Nawawi.

SECTION 2: DIRECTORS' REMUNERATION

Remuneration Policy and Procedure

The Remuneration Committee was established on 20 December 2001. The composition of the Remuneration Committee as at 28 April 2004 comprises three non-executive directors, one of whom is independent. The members are Cik Noor Asmah bt. Mohd Nawawi, Tuan Haji Megat Dziauddin bin Megat Mahmud and Dato' Azian bin Osman as the Chairman. The Committee reviews the annual fees, attendance allowance and other benefits for the directors of the Company. The ultimate decision of the determination of the level of remuneration shall be the responsibility of the Board as a whole after considering recommendations from the Remuneration Committee with approval from shareholders at the AGM.

During the financial year, a Remuneration Committee meeting was held on 25 February 2003 and attended by all its members which then comprised of Tuan Haji Iskhak bin Bardan (retired on 27 May 2003), Cik Noor Asmah bt. Mohd Nawawi and headed by Dato' Haji Mohd Zaim bin Haji Abu Hasan (vacated office on 1 January 2004).

Directors Remuneration

Range of remuneration and number of non-executive directors for the financial year ended 31 December 2003: -

	All are Non-Executive Directors
Below RM50,000	8 – Fees from Company only
RM50,001 – RM100,000	-
RM100,001 – RM150,000	-
RM150,001 – RM200,000	1 – Fees from Company, and salary, bonus and benefits-in-kind from subsidiaries of the Company.

Note: For details of appointment, vacation of office, retirement and resignation of directors, please refer page 7.

SECTION 3: SHAREHOLDERS

Investor Relations and Shareholders Communication

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company through the Annual Report, AGM and Extraordinary General Meeting (“EGM”). Announcements and release of financial results on a quarterly basis, semi-annual returns and business acquisitions and disposals, provide the shareholders and the investing public with an overview of the Group’s performance, operations and directions. Members of the public can obtain the full financial results and the Company’s announcements from the MSEB web-site.

In addition, nominees of most of the Company’s major shareholders sit on the Board. This provides a platform for interactions and direct communications between the Board, management and major shareholders. Any queries from other shareholders are communicated through the Company Secretary.

On 9 December 2003, a site visit for new shareholders arising from the completion of the Company’s private placement exercise of 10 million ordinary shares was conducted. The head of respective businesses operations provided briefings on the state of affairs of the businesses concerned.

Annual General Meeting (“AGM”)

The AGM is the principal forum for dialogue with shareholders. Notice of the AGM and annual reports are sent out to shareholders at least 21 days before the date of meeting.

Besides the usual agenda for the AGM, the Board provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. The directors and the Group Chief Executive are available to provide responses to questions from the shareholders during these meetings.

For re-election of directors, the Board shall ensure that full information shall be disclosed through the notice of meeting regarding directors who are retiring and who are willing to serve if re-elected.

An explanatory statement to facilitate full understanding and evaluation of the issues involved shall accompany items of special business included in the notice of the meeting.

SECTION 4: ACCOUNTABILITY AND AUDIT

Financial Reporting

For financial reporting through quarterly reports to MSEB and the annual report to shareholders, the directors have a responsibility to present a fair assessment of the Group’s position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement of Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 40 of this Annual Report.

Internal Control

The Board takes responsibility for the Group’s internal control system and risk management and for reviewing its adequacy and integrity. The Board is of the view that the current system of internal control in place throughout the Group is sufficient to safeguard the Group’s assets and shareholders’ investment as the Group has in place an adequately resourced internal audit department of the Company’s ultimate holding corporation together with their external consultants.

The Statement on Internal Control as set out in pages 28 to 31 in this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with Auditors

The role of the Audit Committee in relation to the auditors can be found in the Report on the Audit Committee set out on pages 32 to 35. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with accounting standards in Malaysia.

Statement of Compliance with the Best Practice of the Code

Saved as disclosed below, the Group has complied with the Principles and Best Practices of the Code:

- (a) *The Board and also the various committees members of the Board have been able to identify business risks and ensure implementation of appropriate measures to manage these risks* – The Audit Committee members shall assist the Board of Directors to assess and manage internal risk. During the financial year, a structured risk management framework has been put in place to better identify, monitor and manage the business risks affecting the Group with the assistance of the internal audit department of the Company's ultimate holding corporation together with their external consultants;
- (b) *The Board has formal schedule of matters reserved to itself for decision* – The Board is of the view that this is done through the appointment of various committees, which spell out the authority of the committees. Otherwise, this is achieved informally through the convention that the Board decides on any Group level issues as a whole;
- (c) *The individual director is allowed to obtain independent professional advice whenever necessary at the expense of the Company* – All directors as a group, have access to the advice of the Company Secretary and External Auditors on an as need basis;
- (d) *There is formal succession planning within the organisation* – Middle Management is constantly being informally appraised to assess their capability of taking over the Senior Management positions;
- (e) *Remuneration of each member of the Board of Directors is detailed* – The Directors are of the opinion that there is a necessity to safeguard the physical security of the Directors and members of their family.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Paragraph 15.27(b) of the Malaysia Securities Exchange Berhad's ("MSEB") Listing Requirements require directors of listed companies to include a statement in annual reports on the state of the internal control of the listed issuer as a group. The MSEB's Statement of Internal Controls: Guidance for Directors of Public Listed Companies ("the Internal Control Guidance") provides guidance for compliance with these requirements. Set out below is the Board's Statement on Internal Control, which has been prepared in accordance with the Internal Control Guidance.

BOARD RESPONSIBILITY

The Board of Directors recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of those systems. Due to the limitations that are inherent in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system can provide only reasonable and not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls.

The Board confirms that there is an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of the Group's business objectives, which has been in place during the year and up to the date of approval of the Annual Report and Financial Statements. The Board is constantly reviewing this process and accords with the Internal Control Guidance.

RISK MANAGEMENT FRAMEWORK

The Board fully supports the contents of the Internal Control Guidance. The terms of reference of the Audit Committee has been extended to assist the Board to assess and manage internal risk. With the assistance of the internal audit department of the Company's ultimate holding corporation and their external consultants, a structured risk management framework for the Group has been put in place. The recommended risk framework, which was presented to the Audit Committee at its meeting during the previous year for adoption by the Group, involves the following:

1. Group Risk Management Committee

The Group Risk Management Committee is responsible to identify continuously and communicate to the Audit Committee, which in turn would report to the Board, the critical risks the Group face, their changes and the management action plans to manage the risks.

2. Risk Management Policies and Procedures Manual

This manual serves to outline the risk management framework for the Group and would offer practical guidance to all employees on risk management issues.

3. Key Management Staff

Nomination of key management staff in each operating unit to prepare action plans, with implementation time-scales to address any risk and control issues.

4. Risk Management Reporting

Regular risk management reporting by the head of operating units/ key management staff to the Group Risk Management Committee.

The above risk management framework has been fully implemented during the year 2003 thus enhancing the ability of the Board and management to effectively address critical business risks.

For the year 2004, the action plan that has been established at the Group level in reviewing the adequacy and integrity of the system of internal control include the following:

- Assess the competency and suitability of the members of respective subsidiaries risk management committee;
- Require regular risk management reporting (at least once every quarter) from each company within the Group to the holding company according to pre-determined schedule;
- Action plans to be submitted by the respective risk management committees;
- To receive and discuss reports and executive summaries from the companies and thereafter to discuss these reports at the Audit Committee meeting of the Company on a quarterly basis.

INTERNAL AUDIT

The Group, via the Company's ultimate holding corporation's internal audit department together with their external consultants provide support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the financial year under review, the Internal Auditors and their external consultants carried out audits of the operating units including subsidiaries based on internal audit plan approved by the Audit Committee. The audit reports were tabled at the Audit Committee meeting, where Audit Committee members reviewed the findings with management. The Internal Auditors ensured that recommendations to improve controls were implemented by management. These initiatives, together with management's adoption of the External Auditors' recommendations for improvement on internal controls noted during their annual audit, provide reasonable assurance that control procedures are in place.

The scope of work of the internal audit department and their external consultants did not extend to: -

- (i) Konsortium LPB Sdn. Bhd. ("KLPB"), an associate of the Company. Principal activities of KLPB are to construct, operate and manage the operation of the privatised project West Coast Highway for a 30-year concession period. It has yet to commence operations. However, a representative of the management of the Company sits as a Board member of KLPB to ensure that implementation shall be carried out in a proper manner and risk assessment shall be undertaken by KLPB;
- (ii) Audrey International (Malaysia) Berhad ("AIMB"), an associate of the Company. Principal activities of AIMB Group are marketing and trading of ladies undergarments and leisurewear. A representative of the management of the Company and nominee sit as Board members of AIMB to ensure that risk assessment is carried out in a proper manner and controls are in place. AIMB has its own internal audit function of capable and widely experienced team members.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from key risk management and internal audit, the Group has in place the following key elements of internal controls:

1. Organisational Structure

The Group has in place an organisational structure with clearly defined lines of accountability and delegated authority.

2. Policies and Operating Procedures Manual

There is an Operating Procedures Manual that sets out the policies, procedures and practices covering activities including the following:

2.1 Financial Authority Limits

The Financial Authority Limits define purchases of goods/ services and capital expenditure for each level of management within the Group.

2.2 Budgeting

Budgets are generated annually at each operating unit. The budgets will then be reviewed by the Finance, Administrative and Secretarial Committee and thereafter presented to the Board for final review and approval.

2.3 Tender Committee

Major purchases of goods and services and contract works are required to be tendered out and submitted to the Board Tender Committee at subsidiary companies' level for review and approval.

3. Management Financial Report

Quarterly financial and performance reports are submitted to the Board which includes the monitoring of results against budget, with major variances being explained and management action taken for improvement of results. This involves the inclusion of the Group Statement of Changes in Equity and Group Cash Flow Statement being presented to the Board.

4. Investment Appraisal

Investment proposals covering acquisition of property and long term investments shall be thoroughly appraised by the Board. Post implementation reviews on these investments are conducted and reported to the Board on a regular basis. Likewise, on action taken in respect of disposal of property/ long term investments/ subsidiaries.

5. Group Financial Management Meeting

Quarterly Group Financial Management Meetings are held to monitor the progress and performance of each business unit and copy of the minutes are circulated to the Group Chief Executive for his information.

CONCLUSION

A number of minor structural weaknesses were identified during the period, all of which have been addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.

Management has taken the necessary action to ensure minimum exceptions to be reported in this Statement.

For and on behalf of the Board of
PERAK CORPORATION BERHAD

DATO' IR. HAJI HARUN BIN AHMAD SARUJI DPMP, AMP
Chairman

REPORT ON AUDIT COMMITTEE

COMPOSITION

Chairman:	Meeting attendance in 2003
Dr. Nawawi bin Mat Awin Independent, Non-Executive	4/4
Members:	
1. Encik Kamaldeen Abdul Kader (resigned on 27 August 2003) Non-Independent, Non-Executive	2/3
2. Dato' Haji Mohd Zaim bin Haji Abu Hasan (vacated office on 1 January 2004) Independent, Non-Executive	2/4
3. Cik Noor Asmah binti Mohd Nawawi Independent, Non-Executive	4/4
4. Dato' Ir. Haji Harun bin Ahmad Saruji (appointed on 26 March 2004) Non-Independent, Non-Executive	-

All members of the Committee have a working familiarity with basic finance and accounting practices, and its Chairman, Dr. Nawawi bin Mat Awin is a member of the Malaysian Association of Certified Public Accountants, a scheduled body approved by the Malaysian Institute of Accountants.

MEETINGS

The Committee meets at least four times annually, or more frequently as circumstances dictate. As part of its duty to foster open communications, the Group Chief Executive, the Group General Manager, Corporate Finance and the Head of Internal Audit of the Company's ultimate holding corporation and a representative of the external auditors (if required) will normally attend the meetings. Other Board members may attend the meetings upon invitation by the Committee.

The Committee met 4 times during the financial year for the following purposes:

- To review the financial statements before the quarterly announcements to Malaysia Securities Exchange Berhad ("MSEB").
- To review the year end financial statements together with External Auditors' management letter and management's response.
- To discuss with the External Auditors, the audit plan and scope for the year, as well as the audit procedures to be utilised.
- To discuss with the Internal Auditors on their scope of work, adequacy of resources and coordination with the External Auditors.
- To review the reports prepared by the Internal Auditors on the state of internal control of the Group.

In 2003, the Committee held meetings on the following dates: 24 February, 26 May, 25 August, and 17 November. The attendance of the members is as shown above.

RESPONSIBILITIES AND DUTIES

Besides the duties stated under the Terms of Reference stated on page 34, the Audit Committee shall:

- Consider the appointment of the external auditors, the audit fees and any questions of their resignation or dismissal;
- Review the adequacy and effectiveness of risk management, internal controls and governance systems;
- Review any other activities, as authorised by the Board.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an adequately resourced internal audit function from the Company's ultimate holding corporation's internal audit department, which would outsource any consultant or professional firm if there were a requirement to do so. The Committee is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

With the assistance of the internal audit department of the Company's ultimate holding corporation and their external consultants, a structured risk management framework for the Group has been put in place. Further to the recommended risk management framework presented to the Audit Committee in the year 2002 for adoption by the Group, a series of review were carried out by the Internal Auditors during the year 2003 and results presented to the Audit Committee.

The internal audit activities have been carried out according to the internal audit plan, which has been approved by the Audit Committee. These include carrying out audits of the operating units including subsidiaries. The audit reports were tabled at the Audit Committee Meeting, where Audit Committee members reviewed the findings with management. Internal Auditors ensured that recommendations to improve controls were implemented by management. These initiatives, together with management's adoption of the External Auditors' recommendations for improvement on internal controls noted during their annual audit, provide reasonable assurance that control procedures are in place.

On 22 December 2003, the Audit Committee Chairman, the Internal Auditors, their external consultants and the management of the Company attended a meeting with regard to the Second Internal Audit Report and the Risk Management Framework of the Group. In addition, the significant risks identified for the Group and findings highlighted by the internal auditors were discussed. The outcome of this meeting was reported on to the Audit Committee members by its Chairman at a meeting held on 6 January 2004. The formation of Risk Management Committee and Risk Management Policies and Procedures Manual were put forward to the Board for formal approval, which was then obtained on 26 February 2004.

Further details of the activities of the internal audit function are set out in the Statement on Internal Control on pages 28 to 31.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

The Audit Committee shall be appointed by the Board of Directors from amongst their members (who are not alternate directors), comprising at least three (3) members. A majority of the Committee must be independent of senior management and executives, and free from any relationship that, in the opinion of the Board, will interfere with the exercise of independent judgement as a committee member. At least one member of the Committee shall be a member of the Malaysian Institute of Accountants.

The term of office and performance of the committee and each of its members shall be reviewed by the Board of Directors at least once every three years.

Chairman

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

Vacancy, retirement and resignation

All members, including the Chairman, will hold office only as long as they serve as Directors of the Company. If for any reason the membership of the Committee fails to comply with the membership requirements, the Board shall within three (3) months of the event, appoint such number of new member as may be required to fill the vacancy.

Authority

The Audit Committee is authorised by the Board to investigate any activities within its terms of reference. It can seek outside legal or other independent professional assistance if it consider necessary.

The Audit Committee shall in principle have full, free and unrestricted access to any information pertaining to the Company and its Group in carrying out their duties.

Duties

- (a) To recommend to the Board the appointment and reappointment of the External Auditors, audit fee and any question of their resignation or dismissal.
- (b) To discuss with the External Auditors before the audit commences, the audit plan, their evaluation of the system of internal control and the audit reports on the financial statements and the assistance given by the Company's officers to the External Auditors.
- (c) To review the quarterly financial reports and annual financial statements before submission to the Board focusing particularly on :-
 - Changes in or implementation of major accounting policy changes;
 - Significant and unusual events; and
 - Compliance with accounting standards and other legal requirements.
- (d) To discuss the outcome of the interim and final audit, and any matters the auditors may wish to discuss ensuring that no management restrictions are being placed on the scope of their examinations.
- (e) To review the adequacy of the scope, function and resources and the effectiveness of the internal audit function.

- (f) To review the internal audit programme, processes, the results of the internal audit programme, process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (g) To review any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (h) To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.
- (i) To prepare an Audit Committee Report, for the consideration of the Board at the end of each financial year, for inclusion in the Annual Report of the Company.
- (j) To report to the MSEB where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the MSEB.

Meetings

The Audit Committee shall meet at least two (2) times a year, although additional meetings may be called at any time at the Chairman's discretion and if requested by any member or internal or external auditors. The Committee may convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary. The Committee may invite any person to be in attendance at each meeting.

A meeting shall be called by notice in writing of not less than seven (7) days or such shorter notice as may be agreed by the members.

The quorum for each meeting shall be two (2) members, the majority of members present must be independent members.

Minutes

Minutes of each meeting shall be kept and distributed to each member of the Committee and the Board. The Chairman shall report on each meeting to the Board. The minutes' book shall be opened to the inspection of any director of the Company. The secretary to the Committee shall be the Company Secretary.

ADDITIONAL COMPLIANCE INFORMATION

Material Contracts

There were no material contracts other than in the ordinary course of business entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests.

Impositions of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by relevant authorities.

Non-Audit Fees

Non-audit fees payable to the external auditors by the Group for the financial year are RM5,000 (2002: RM6,000).

Utilisation of Private Placement Proceeds

The gross proceeds of RM12.7 million arising from the private placement of 10 million ordinary shares of RM1.00 each at a price of RM1.27 per share, have been part utilised during the financial year ended 31 December 2003 for repayment of bank borrowings totalling RM3.6 million and defraying expenses of RM3.4 million. The balance of the proceeds is being used for working capital purposes.

Recurrent Related Party Transactions ("RRPT") of Revenue Nature

RRPT of revenue nature conducted during the financial year are as follows:

Type of RRPT	Name of Related Party	Relationship with the Company	Actual Value Period: 1/1/03 – 31/12/03 (RM)
Rental of office premises from the Company	Perbadanan Kemajuan Negeri Perak ("PKNP")	Ultimate Holding Corporation	2,203,549
Management services provided to the Company	PKNP	Ultimate Holding Corporation	176,000
Project expenditure payable by the Company	PKNP	Ultimate Holding Corporation	1,424,000
Rental and disbursements payable by the Company	PKNP	Ultimate Holding Corporation	408,899
Project management services provided by a subsidiary, Premium Meridian Sdn Bhd	PKNP	Ultimate Holding Corporation	68,745
Management services provided to a subsidiary, Lumut Maritime Terminal Sdn Bhd ("LMT")	Integrax Berhad ("ITB")	See note 1 below	600,000
Port services provided by a subsidiary, LMT	Perak Freight Services Sdn Bhd ("PFS")	See note 2 below	2,451,945
Container haulage services provided to a subsidiary, LMT	Perak Haulage Sdn Bhd ("PH")	See note 3 below	937,178
Operations and maintenance services provided by a subsidiary, LMT	Lekir Bulk Terminal Sdn Bhd ("LBT")	See note 4 below	15,697,013
Tug boat services provided to a subsidiary, LMT	Radikal Rancak Sdn Bhd ("RR")	See note 5 below	6,779,405

Relationship with the Company: -

1. ITB is an associated company of Kuda Sejati Sdn Bhd (“KS”) with 22.87% equity interest as at 31 December 2003, where KS is a wholly owned subsidiary of PKNP.
2. PFS is an associated company of PKNP with 40.58% equity interest.
3. PH is a wholly-owned subsidiary of PFS.
4. LBT is a subsidiary of Pelabuhan Lumut Sdn. Bhd. (“PL”) which holds 80% of its equity interest, whereas the remaining equity interest of 20% is held by Tuah Utama Sdn. Bhd., an unrelated company to PCB Group and its directors. PL is a wholly owned subsidiary of ITB.
5. RR is a wholly owned subsidiary of ITB.

ANALYSIS OF SHAREHOLDINGS as at 31 March 2004

Authorised Capital	: RM500,000,000
Issued and Fully Paid-Up Capital	: RM100,000,000
Class of Shares	: Ordinary shares of RM1.00 each fully paid
Voting Rights	: One vote per shareholder on a show of hands One vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDERS (Based on the Record of Depositors)

No. of holders	Holdings	Total shareholdings	%
30	less than 100	1,529	**
85	100 - 1,000	56,306	0.06
2608	1,001 - 10,000	7,610,537	7.61
264	10,001 - 100,000	6,206,775	6.21
22	100,001 - 4,999,999	14,761,103	14.76
3	5,000,000* and above	71,363,750	71.36
3,012		100,000,000	100.00

Notes:

* Denotes 5% of the issued capital

** Negligible

SUBSTANTIAL SHAREHOLDERS (excluding bare trustees)

(Based on the Company's Register of Substantial Shareholders)

No.	Name of holders	No of shares held			
		Direct	%	Deemed	%
1	Perbadanan Kemajuan Negeri Perak	52,271,253 ^{*1}	52.27	257,500 ^{*2}	0.26
2	Skim Amanah Saham Bumiputera	15,000,000	15.00	-	-
3	Golden Hope Plantations Berhad	6,125,000	6.13	-	-

Notes:

*1. 51,506,250 shares held through RC Nominees (Tempatan) Sdn Bhd

*2. Deemed interest through its wholly owned subsidiaries, Sergap Berkat Sdn Bhd and Cherry Blossom Sdn Bhd

DIRECTORS' SHAREHOLDINGS

(Based on the Company's Register of Directors' Shareholdings)

No.	Name of holders	No of shares held			
		Direct	%	Deemed	%
	Dato' Ir. Haji Harun bin Ahmad Saruji	23,750	0.02	20,000	0.02

THIRTY LARGEST SHAREHOLDERS (Based on the Record of Depositors)

No.	Name	Number of Shares held	%
1	RC Nominees (Tempatan) Sdn Bhd • Perbadanan Kemajuan Negeri Perak	50,238,750	50.24
2	Amanah Raya Nominees (Tempatan) Sdn Bhd • Skim Amanah Saham Bumiputera	15,000,000	15.00
3	Golden Hope Plantations Berhad	6,125,000	6.13
4	AMMB Nominees (Tempatan) Sdn Bhd • KAF Fund Management Sdn Bhd	4,259,950	4.26
5	Universal Trustee (Malaysia) Berhad • Malaysian Assurance Alliance Bhd	2,500,000	2.50
6	RC Nominees (Tempatan) Sdn Bhd • Perbadanan Kemajuan Negeri Perak	1,267,500	1.27
7	Sisma Holdings Sdn Bhd	770,000	0.77
8	Perbadanan Kemajuan Negeri Perak	765,003	0.77
9	Cartaban Nominees (Asing) Sdn Bhd • Bank of Tokyo Mitsubishi Luxembourg S.A. For Osterreichische Volksbanken AG	687,500	0.69
10	Universal Trustee (Malaysia) Berhad • MUI Continental Insurance Bhd	600,000	0.60
11	Leong Kok Wah	500,000	0.50
12	Ng Lai Chiek	450,000	0.45
13	Hong Leong Finance Berhad • Pledged Securities Account For Lam Kim Chiap	363,375	0.36
14.	Fawziah Bt Hussein Sazally	335,000	0.34
15	AMMB Nominees (Asing) Sdn Bhd • KAF Fund Management Sdn Bhd For Marguerite Louise Lee	320,000	0.32
16	Cheong Yoke Choy	250,000	0.25
17	Lee Choon Hoong	250,000	0.25
18	Sergap Berkat Sdn Bhd	247,500	0.25
19	AMMB Nominees (Tempatan) Sdn Bhd • KAF Fund Management Sdn Bhd For Yayasan Istana Abdul Aziz	226,100	0.23
20	Ngeo Kian Boon	203,300	0.20
21	TA Nominees (Tempatan) Sdn Bhd • Pledged Securities Account For Chua Eng Ho Waa @ Chua Eng Wah	195,875	0.20
22	KBB Nominees (Tempatan) Sdn Bhd • Exempted ESOS (PRKCORP)	175,000	0.18
23	AMMB Nominees (Tempatan) Sdn Bhd • KAF Fund Management Sdn Bhd For DYMM Tuanku Bainun Mohd Ali	150,000	0.15
24	Loh Toh Heoh	125,000	0.13
25	Malaysia Nominees (Tempatan) Sendirian Berhad • Pledged Securities Account For Lim Cheong Goh	120,000	0.12
26	OSK Nominees (Tempatan) Sdn Berhad • Pledged Securities Account For Tan Gaik Suan	93,000	0.09
27	Tan Tiong Yeu	92,500	0.09
28	Wong Shak On	86,250	0.09
29	Foo Lim Get	85,000	0.09
30	MIDF Sisma Holdings Sdn Bhd	81,250	0.08
	Total	86,562,853	86.60

STATEMENT OF **DIRECTORS' RESPONSIBILITY** IN RESPECT OF THE **ANNUAL AUDITED FINANCIAL STATEMENTS**

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- Complied with the applicable approved Malaysian accounting standards
- Adopted and consistently applied appropriate accounting policies
- Made judgements and estimates that are prudent and reasonable

The Directors have responsibility for ensuring that the Company and the Group keep accounting records, which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Directors' Report and Audited Financial Statements

31 December 2003

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of property and investment holding, real property development and provision of management services.

The principal activities of the subsidiaries are described in Note 5 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit after taxation	1,675,463	34,769,953
Minority interests	430,710	-
Net profit attributable to shareholders	<u>2,106,173</u>	<u>34,769,953</u>

There were no material transfers to or from reserves or provisions during the financial year other than disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the disposal of a subsidiary resulting in a gain of RM3,773,740 and RM38,647,676 to the Group and the Company respectively as disclosed in Note 26 to the financial statements.

DIVIDEND

The amount of dividend paid by the Company since 31 December 2002 was as follows:

	RM
In respect of the financial year ended 31 December 2002:	
Ordinary final dividend of 2% less 28% taxation paid on 17 July 2003	<u>1,008,000</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2003 of 2% on 100,000,000 ordinary shares less 28% taxation amounting to a total dividend of RM1,440,000 (1.4 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2004.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Ir. Haji Harun bin Ahmad Saruji DPMP, AMP

Dr. Nawawi bin Mat Awin

Dato' Haji Mohd Zaim bin Hj Abu Hasan DPMP, AMP, PPT (vacated office on 1 January 2004)

Dato' Azian bin Osman DPMP, AMP

Noor Asmah bt. Mohd Nawawi

Datuk Haji Faisal bin Haji Siraj DMSM (appointed on 16 January 2004)

Dato' Abdul Wahab bin Maskan (resigned on 4 April 2003)

Kamaldeen bin Abdul Kader (resigned on 27 August 2003)

Tuan Haji Iskhak bin Bardan PMP, KMN (retired on 27 May 2003)

Tuan Haji Megat Dziauddin bin Megat Mahmud (resigned as alternate to Dato' Abdul Wahab bin Maskan on 4 April 2003 and re-appointed as director on 4 June 2003)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 29 to the financial statements or the fixed salary of a full time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Number of Ordinary Shares of RM1 Each

	1 January 2003	Bonus Issue	Sold	31 December 2003
The Company				
Dato' Ir. Haji Harun bin Ahmad Saruji DPMP, AMP	9,000	2,250	-	11,250

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up capital from RM70,000,000 to RM100,000,000 by way of the issuance of:

- (a) 10,000,000 ordinary shares of RM1 each through a private placement, at an issue price of RM1.27 per share for cash, for additional working capital purposes. The share premium arising after deducting the transaction costs of RM427,103, amounted to RM2,272,897, and this has been credited to the share premium account.
- (b) 20,000,000 bonus shares of RM1 each, issued on the basis of one new share for every four existing shares held after the completion of the private placement, through capitalisation of a sum of RM20,000,000 from the share premium account of the Company.

The new ordinary shares rank *pari passu* in all respects with existing ordinary shares.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 38 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are as disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution
of the directors

DATO' IR. HAJI HARUN BIN AHMAD SARUJI DPMP, AMP

DATO' AZIAN BIN OSMAN DPMP, AMP

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 23 March 2004

STATEMENT BY DIRECTORS STATUTORY DECLARATION

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, DATO' IR. HAJI HARUN BIN AHMAD SARUJI DPMP, AMP and DATO' AZIAN BIN OSMAN DPMP, AMP, being two of the directors of PERAK CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 48 to 115 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the
Board in accordance
with a resolution of the directors.

}

DATO' IR. HAJI HARUN BIN AHMAD SARUJI DPMP, AMP

DATO' AZIAN BIN OSMAN DPMP, AMP

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 23 March 2004

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, HARBHAJAN SINGH A/L UJAGAR SINGH PPT, the officer primarily responsible for the financial management of PERAK CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 48 to 115 are in my opinion 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
abovenamed HARBHAJAN SINGH A/L
UJAGAR SINGH PPT, at Ipoh in
the State of Perak Darul Ridzuan
on 23 March 2004.

}

HARBHAJAN SINGH A/L UJAGAR SINGH PPT

Before me,

Commissioner for Oaths

REPORT OF THE AUDITORS

REPORT OF THE AUDITORS TO THE MEMBERS OF PERAK CORPORATION BERHAD (Incorporated In Malaysia)

We have audited the accompanying financial statements set out on pages 48 to 115. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been 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 financial positions of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; 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 Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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 material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

LEONG KENG YUEN
No. 1851/09/05 (J)
Partner

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 23 March 2004

CONSOLIDATED BALANCE SHEET

31 December 2003

	Note	2003 RM	2002 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	91,631,176	101,885,909
Land and development expenditure	4	138,824,100	123,271,699
Investments in associates	6	23,044,295	2,586,262
Other investments	7	4,622,500	4,647,500
Net goodwill arising on consolidation	8	27,650,494	29,429,619
Other intangible assets	9	-	28,249
Sinking fund account	10	1,713,527	1,768,600
Deferred tax assets	25	840,000	1,707,412
		288,326,092	265,325,250
CURRENT ASSETS			
Development properties	4	114,215,135	123,961,340
Inventories	12	477,515	22,695,881
Trade receivables	13	78,812,954	104,340,017
Other receivables	14	126,471,914	113,010,009
Cash and bank balances	15	33,861,277	17,688,279
Tax recoverable		107,536	167,818
		353,946,331	381,863,344
CURRENT LIABILITIES			
Borrowings	16	92,361,232	111,547,624
Trade payables	18	4,732,688	16,292,427
Other payables	19	56,377,754	38,598,768
Tax payable		7,049,140	8,234,464
		160,520,814	174,673,283
NET CURRENT ASSETS			
		193,425,517	207,190,061
		481,751,609	472,515,311
FINANCED BY:			
Share capital	20	100,000,000	70,000,000
Share premium		172,770,440	190,497,543
Retained profits		65,052,837	63,954,664
		337,823,277	324,452,207
Shareholders' equity		63,088,040	63,518,751
Minority interests		400,911,317	387,970,958
		73,390,000	73,390,000
Redeemable preference shares	21	2,993,142	7,145,049
Borrowings	16	342,150	269,504
Retirement benefits	24	4,115,000	3,739,800
Deferred tax liabilities	25	80,840,292	84,544,353
		80,840,292	84,544,353
		481,751,609	472,515,311

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2003

	Note	2003 RM	2002 RM
Revenue			
- continuing operations		99,254,496	70,366,048
- discontinuing operations	26	7,665,265	104,885,124
	27	106,919,761	175,251,172
Cost of sales	28	(58,882,138)	(84,818,842)
Gross profit		48,037,623	90,432,330
Other operating income		3,474,814	1,811,222
Distribution costs		(3,912,581)	(28,541,881)
Administrative expenses		(14,446,380)	(21,543,788)
Other operating expenses		(10,553,106)	(11,074,925)
Gain on disposal of a subsidiary	26	3,773,740	-
Compensation for surrender of option		(4,599,076)	-
Profit/(loss) from operations			
- continuing operations		22,748,933	23,201,718
- discontinuing operations	26	(973,899)	7,881,240
	29	21,775,034	31,082,958
Finance costs	30	(12,552,537)	(7,524,913)
Share of results of associates		646,968	(196,846)
Profit before taxation		9,869,465	23,361,199
Taxation	31	(8,194,002)	(9,932,280)
Profit after taxation		1,675,463	13,428,919
Minority interests		430,710	(5,654,777)
Net profit attributable to shareholders		2,106,173	7,774,142
Earnings per share (sen)			
Basic	32	2.3	8.6

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2003

	Note	Share capital RM	Non-Distributable Share premium RM	Distributable Retained profits RM	Total RM
At 1 January 2002					
As previously stated		70,000,000	190,497,543	56,388,488	316,886,031
Prior year adjustments	33	-	-	800,034	800,034
At 1 January 2002 (restated)		70,000,000	190,497,543	57,188,522	317,686,065
Net profit for the year		-	-	7,774,142	7,774,142
Dividends	34	-	-	(1,008,000)	(1,008,000)
At 31 December 2002		70,000,000	190,497,543	63,954,664	324,452,207
At 1 January 2003					
As previously stated		70,000,000	190,497,543	62,910,411	323,407,954
Prior year adjustments	33	-	-	1,044,253	1,044,253
At 1 January 2003 (restated)		70,000,000	190,497,543	63,954,664	324,452,207
Issue of new ordinary shares arising from private placement		10,000,000	2,700,000	-	12,700,000
Defrayment of expenses		-	(427,103)	-	(427,103)
Bonus issue from share premium account		20,000,000	(20,000,000)	-	-
Net profit for the year		-	-	2,106,173	2,106,173
Dividends	34	-	-	(1,008,000)	(1,008,000)
At 31 December 2003		100,000,000	172,770,440	65,052,837	337,823,277

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2003

	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,869,465	23,361,199
Adjustments for:		
Amortisation of goodwill arising on consolidation	2,164,637	2,164,637
Amortisation of intangible assets	-	26,234
Amortisation of reserve arising on consolidation	(71,885)	(58,353)
Attributable profits on development projects	(2,170,247)	(1,499,016)
Bad debts written off	85,943	-
Depreciation	3,498,907	5,209,527
Development expenditure written off	-	12,252
Dividend income	(73,960)	(147,920)
Loss/(gain) on disposal of property, plant and equipment	926	(42,461)
Gain on disposal of a subsidiary	(3,773,740)	-
Provision for diminution in value of investment	25,000	-
Interest expenses	1,684,475	2,284,216
Interest income	(2,629,736)	(912,847)
Inventories written down	-	80,461
Inventories written off	-	100,000
Property, plant and equipment written off	-	816,088
Provision for doubtful debts	384,250	120,508
Provision for doubtful debts written back	(808)	-
Provision for retirement benefits	182,408	66,155
Redeemable preference shares dividends	10,858,062	5,090,042
Share of results of associates	(646,968)	196,845
Operating profit before working capital changes	19,386,729	36,867,567
Working capital changes:		
Development properties	11,916,452	(33,565,995)
Receivables	(22,429,529)	1,334,055
Inventories	(332,367)	(4,975,553)
Payables	14,201,304	4,017,148
Cash generated from operations	22,742,598	3,677,222
Taxes paid	(6,649,322)	(7,478,567)
Royalties paid	-	(2,205,496)
Retirement benefits paid	(63,428)	(36,294)
Net cash generated from/(used in) operating activities	16,029,839	(6,043,135)

consolidated **cash flow statement** (continued)

	2003 RM	2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment of advances from related companies	5,265,052	93,084
Dividends received	53,251	140,672
Interest received	2,629,736	912,847
Land and development expenditure	(14,660,524)	7,863,951
Payments for trademarks	-	(13,340)
Proceeds from disposal of property, plant and equipment	9,993	45,799
Net proceed from disposal of a subsidiary (Note 26)	27,394,349	-
Purchase of port facilities	(2,290,477)	(547,687)
Purchase of property, plant and equipment	(941,978)	(1,979,114)
Net cash generated from investing activities	17,459,402	6,516,212
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from ultimate holding corporation	2,424,317	2,780,751
Dividend paid	(1,008,000)	(1,008,000)
Drawdown of loan and financing facilities	-	4,000,000
Interest paid	(1,684,475)	(2,284,216)
Net (decrease)/increase in short term borrowings	(13,017,462)	1,174,777
Placement of deposits pledged	3,775,177	(694,236)
Proceed from issuance of ordinary shares	12,272,897	-
Repayment of advances to minority shareholders	(4,033,227)	(1,056,815)
Repayment of hire purchase and lease financing	(693,446)	(603,450)
Repayment of loan and financing facilities	(5,106,992)	(3,303,000)
Repayment to ultimate holding corporation	(1,885,329)	(946,145)
Withdrawal from sinking fund	55,073	1,581,883
Net cash used in financing activities	(8,901,467)	(358,451)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,587,774	114,626
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,011,203	6,896,577
CASH AND CASH EQUIVALENTS AT END OF YEAR	31,598,977	7,011,203
Cash and cash equivalents comprise:		
Cash and bank balances	3,323,715	6,120,378
Deposits with licensed banks	30,537,562	11,567,901
Bank overdrafts	(1,644,696)	(6,284,295)
	32,216,581	11,403,984
Deposits pledged for guarantees and other banking facilities granted to certain subsidiaries	(617,604)	(4,392,781)
	31,598,977	7,011,203

The accompanying notes form an integral part of the financial statements.

BALANCE SHEET

31 December 2003

	Note	2003 RM	2002 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	11,020,868	11,187,295
Land and development expenditure	4	9,184,854	-
Investments in subsidiaries	5	6,702,509	18,004,833
Investments in associates	6	23,992,793	3,992,793
Other investments	7	4,622,500	4,647,500
Due from subsidiaries	11	211,756,424	210,190,861
		267,279,948	248,023,282
CURRENT ASSETS			
Development properties	4	23,064,360	20,264,893
Other receivables	14	114,461,016	104,432,077
Cash and bank balances	15	10,851,189	282,045
Tax recoverable		90,806	-
		148,467,371	124,979,015
CURRENT LIABILITIES			
Borrowings	16	88,512,159	100,244,459
Other payables	19	11,094,595	1,932,896
Tax payable		-	646,607
		99,606,754	102,823,962
NET CURRENT ASSETS			
		48,860,617	22,155,053
FINANCED BY:			
Share capital	20	100,000,000	70,000,000
Share premium		172,770,440	190,497,543
Retained profits	22	42,133,739	8,371,786
Shareholders' equity		314,904,179	268,869,329
Due to a subsidiary	23	1,219,585	1,283,358
Borrowings	16	16,801	25,648
Non-current liabilities		1,236,386	1,309,006
		316,140,565	270,178,335

The accompanying notes form an integral part of the financial statements.

INCOME STATEMENT

for the year ended 31 December 2003

	Note	2003 RM	2002 RM
Revenue	27	2,097,509	5,615,913
Cost of sales	28	-	(1,481,318)
Gross profit		2,097,509	4,134,595
Other operating income		2,487,698	856,654
Administrative expenses		(973,078)	(931,815)
Other operating expenses		(1,458,613)	(1,068,462)
Gain on disposal of a subsidiary	26	38,647,676	-
Compensation for surrender of option		(4,599,076)	-
Profit from operations	29	36,202,116	2,990,972
Finance costs	30	(701,761)	(787,907)
Profit before taxation		35,500,355	2,203,065
Taxation	31	(730,402)	(503,630)
Net profit for the year		34,769,953	1,699,435

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2003

	Note	Share capital RM	Non-distributable Share premium RM	Distributable Retained profits RM	Total RM
At 1 January 2002		70,000,000	190,497,543	7,680,351	268,177,894
Net profit for the year		-	-	1,699,435	1,699,435
Dividends	34	-	-	(1,008,000)	(1,008,000)
At 31 December 2002		70,000,000	190,497,543	8,371,786	268,869,329
Issue of new ordinary shares arising from private placement		10,000,000	2,700,000	-	12,700,000
Defrayment of expenses		-	(427,103)	-	(427,103)
Bonus issue from share premium account		20,000,000	(20,000,000)	-	-
Net profit for the year		-	-	34,769,953	34,769,953
Dividends	34	-	-	(1,008,000)	(1,008,000)
At 31 December 2003		100,000,000	172,770,440	42,133,739	314,904,179

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2003

	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	35,500,355	2,203,065
Adjustments for:		
Depreciation	172,031	197,323
Dividend income	(73,960)	(1,642,364)
Gain on disposal of a subsidiary	(38,647,676)	-
Interest expenses	701,761	787,907
Provision for diminution in value of investment	25,000	-
Interest income	(2,450,696)	(837,692)
Operating (loss)/profit before working capital changes	(4,773,185)	708,239
Working capital changes:		
Development properties	(2,799,467)	(1,816,026)
Receivables	(15,311,980)	514,396
Payables	8,676,645	(341,551)
Cash used in operations	(14,207,987)	(934,942)
Taxes paid	(1,447,106)	(766,241)
Net cash used in operating activities	(15,655,093)	(1,701,183)
CASH FLOWS FROM INVESTING ACTIVITIES		
Development expenditure for land held for future development	(9,184,854)	-
Dividends received	53,251	1,642,364
Interest received	626,415	9,228
Net proceed from disposal of a subsidiary (Note 26)	30,000,000	-
Purchase of property, plant and equipment	(5,604)	(9,869)
Repayment of advances from related companies	5,265,052	93,084
Net cash generated from investing activities	26,754,260	1,734,807
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from ultimate holding corporation	2,424,317	2,780,751
Dividend paid	(1,008,000)	(1,008,000)
Interest paid	(701,761)	(787,907)
Net increase in short term borrowings	(11,731,462)	(111,223)
Proceeds from issuance of ordinary shares	12,272,897	-
Repayment of hire purchase and lease financing	(9,685)	(24,155)
Repayment to ultimate holding corporation	(1,776,329)	(946,145)
Net cash used in financing activities	(530,023)	(96,679)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,569,144	(63,055)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	282,045	345,100
CASH AND CASH EQUIVALENTS AT END OF YEAR	10,851,189	282,045
Cash and cash equivalents comprise:		
Cash and bank balances	351,189	282,045
Deposits with licensed banks	10,500,000	-
	10,851,189	282,045

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The principal activities of the Company consist of property and investment holding, real property development and provision of management services. The principal activities of the subsidiaries are described in Note 5.

There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Malaysia Securities Exchange Berhad. The registered office and principal place of business of the Company is located at 7th Floor, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan.

The immediate and ultimate holding corporation of the Company is Perbadanan Kemajuan Negeri Perak, a body corporate established under Perak Enactment No. 3 of 1967.

The number of employees in the Group and in the Company at the end of the financial year were 466 (2002 : 1,201) and 8 (2002 : 8) respectively.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25	Income Taxes
MASB 27	Borrowing Costs
MASB 28	Discontinuing Operations
MASB 29	Employee Benefits

The effect of adopting MASB 25 is summarised in the Statement of Changes in Equity and further information is disclosed in Note 33. The adoption of MASB 27, MASB 28 and MASB 29 have not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) **Basis of Consolidation**

(i) **Subsidiaries**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the financial results and financial position of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the balance sheet as goodwill or reserve arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill or reserve which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

(ii) **Associates**

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the management financial statements of the associates. Under the equity method of accounting, the Group's share of post-acquisition profits less losses of the associates during the year is included in the consolidated income statement. The Group's interest in the associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill/Reserve Arising on Consolidation

Goodwill/reserve arising on consolidation represents the difference between the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries or associates at the date of acquisition.

Goodwill/reserve arising on consolidation is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p). Goodwill/reserve arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill/reserve arising on the acquisition of the associates is included within the carrying amount of investments in the associates.

Goodwill/reserve arising on consolidation is amortised or credited to the income statement on a straight-line basis over a period of not more than 20 years.

(d) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

Freehold land is not depreciated. Leasehold land are depreciated over the period of the respective leases which range from 30 to 99 years as follows:

Long term leasehold land	over 51 - 99 years
Short term leasehold land and buildings	over 30 years

Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2% - 5%
Plant and machinery	10% - 20%
Other assets	
Equipment, furniture and fittings	5% - 25%
Motor vehicles	10% - 25%
Linen and tableware	20% - 25%
Refurbishment and renovations	10 years

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Land and Development Expenditure

(i) Land Held for Development

Land held for development consists of land held for future development and where no significant development has been undertaken and are stated at cost. Cost includes cost of land and attributable development expenditure. Such assets are transferred to development properties when significant development work has been undertaken and are expected to be completed within the normal operating cycle.

(ii) Development of port facilities and properties

Land is stated at the lower of cost and net realisable value. Development expenditure comprises cost of land and all direct expenses relating to the development of port facilities and properties.

The principal annual rates of depreciation are:

Leasehold portland	over 99 years
Port structure	over 50 years
Port equipment	over 10 – 20 years

All expenditure incurred, associated with development of port facilities inclusive of interest cost, are capitalised in accordance with Note 2(q) (v) and amortised over the estimated useful life.

Amortisation of the port structure is based on the revenue method where the cost is amortised based on the total actual revenue in the year over total expected revenue to be generated from the port operations during the period of its estimated useful life.

(iii) Development of tourism projects

Development expenditure represents tourism projects related expenditure undertaken by a subsidiary and is stated at cost. Ultimate recovery of such expenditure is dependent on the successful implementation of the projects. Should the directors consider the implementation to be no longer successful, the accumulated expenditure applicable will be charged to income statement.

(g) Development Properties

Land and development expenditure whereby significant development work has been undertaken and is expected to be completed within the normal operating cycle are classified as development properties. Development properties are stated at cost plus attributable profits less foreseeable losses and applicable progress billings. Cost includes cost of land, all direct building cost, and other related development expenditure, including interest expenses incurred during the period of active development.

Development properties of a subsidiary also include cost of land and other related expenditure incurred in a joint development project.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis except that in certain subsidiaries, it is determined on a first-in, first-out basis. Cost of raw materials, sundry supplies and food and beverage comprise the purchase price and cost of bringing the inventories to location. The impact of adopting different accounting policies as stated above does not have a material impact on the Group's results.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution, where relevant.

(i) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 33.

(j) Hire Purchase

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements. The corresponding outstanding obligations due under the hire purchase after deducting finance expenses are included as liabilities in the financial statements. The finance expenses are charged to the income statement over the period of the respective agreements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) **Hire Purchase (Cont'd)**

A hire purchase gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(k) **Cash and Cash Equivalents**

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits with licensed financial institutions, but do not include deposits with licensed financial institutions which have been pledged for guarantee and other bank facilities granted to the Group and the Company as collaterals, and net of outstanding bank overdrafts.

(l) **Provisions for Liabilities**

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(m) **Employee Benefits**

(i) **Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) **Defined contribution plans**

As required by law, the Group make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) **Defined benefit plans**

A subsidiary operates an unfunded defined benefit scheme under a Collective Agreement with the National Union of Hotel, Bar and Restaurant Workers, Peninsular Malaysia. The retirement benefits in respect of eligible employees as set out in the Collective Agreement will be provided for in the financial statements upon ten years prior to the respective employee's retirement age.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iii) **Defined benefit plans (Cont'd)**

During the financial year, the subsidiary has engaged an actuary to determine the cost of retirement benefits on actuarial valuations using the Actuarial Cost Method for the subsidiary. The effects of this change in accounting policy of approximately RM400,000 is reflected in the subsidiary's financial statements during the year as an expense over 5 years, on a straight line basis, as permitted upon adoption of MASB 29.

Prior to the adoption of MASB 29 Employee Benefits on 1 January 2003, no liability was recognised for the obligations in respect of short-term employee benefits in the form of accumulating compensated absences and the Group's obligation under the defined benefit plans was calculated by the subsidiary using its own computation instead of the Actuarial Cost Method. The changes in accounting policies have not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

(n) **Other Intangible Assets**

The Group's other intangible assets represent cost incurred in the registration of trademarks which are amortised over a period of three years.

(o) **Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) **Dividend income**

Dividend income from quoted investments and subsidiaries is recognised when the shareholder's right to receive payment is established.

(ii) **Development properties**

Revenue from sale of development properties is accounted for under the percentage of completion method, where the outcome of the projects can be reliably estimated. The percentage of completion is determined by reference to the costs incurred to date to the total estimated costs. All anticipated losses are fully provided for.

(iii) **Hotel related operations**

Revenue from hotel related operations comprising rental of hotel rooms, sale of food and beverage and other related income are recognised when the services are provided.

(iv) **Management fees**

Management fees in respect of the management services provided by the Company are recognised when the services are provided.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) **Revenue Recognition (Cont'd)**

(v) **Mobilisation fees**

Mobilisation fees are recognised on receivable basis.

(vi) **Port services**

Revenue from port services and provision of container services are measured at the fair value of the consideration receivable and are recognised in the income statement on rendered basis. Revenue from a sub-subsidiary Lekir Bulk Terminal Operation & Maintenance ("LBT O&M") is recognised in the income statement on an accrual basis.

(vii) **Proceeds from bus fare collection and provision of charter services**

Proceeds received from bus fare collections and provision of charter services are recognised when services are rendered.

(viii) **Rental income**

Rental income is recognised over the term of the tenancy.

(ix) **Sale of goods**

Revenue relating to sale of goods is recognised net of discounts and rebates when transfer of risks and rewards have been completed.

(x) **Sale of land**

Revenue relating to sale of port development land is recognised on a percentage of completion basis. Revenue relating to sale of vacant land represents the proportionate sales value of land sold attributable to the percentage of sales value received during the financial year. In sale of land where the subsidiary has insignificant risk of ownership, revenue is recognised in full.

(p) **Impairment of Assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, financial assets and deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) **Financial Instruments**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) **Other Non-Current Investments**

Non-current investments other than investments in subsidiaries and associates are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) **Marketable Securities**

Marketable securities are carried at lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement. On disposal of marketable securities, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(iii) **Receivables**

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) **Payables**

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) **Financial Instruments (Cont'd)**

(v) **Interest-Bearing Borrowings**

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

Borrowings are reported at their face values. Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until:

- (i) port construction is completed and ready for use; or
- (ii) properties under development are brought to their saleable position.

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

(vi) **Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Preference shares are classified as equity when the shares are non-redeemable and dividends are discretionary at the option of the issuer. Preference shares are classified as liability if the shares are redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the income statement as interest expense.

(r) **Segmental Information**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

(s) **Intersegment Transfers**

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings* RM	Plant and machinery RM	Other assets** RM	Total RM
COST				
At 1 January 2003	100,617,106	3,386,078	29,052,749	133,055,933
Additions	40,244	72,574	948,360	1,061,178
Disposals	-	-	(21,892)	(21,892)
Disposal of subsidiaries	(203,915)	(990,369)	(20,508,994)	(21,703,278)
Write-offs	-	-	(447,742)	(447,742)
At 31 December 2003	100,453,435	2,468,283	9,022,481	111,944,199
ACCUMULATED DEPRECIATION				
At 1 January 2003	10,031,688	2,782,632	18,355,704	31,170,024
Charge for the year	1,295,166	131,412	673,729	2,100,307
Disposals	-	-	(10,973)	(10,973)
Disposal of subsidiaries	(102,523)	(894,269)	(11,501,801)	(12,498,593)
Write-offs	-	-	(447,742)	(447,742)
At 31 December 2003	11,224,331	2,019,775	7,068,917	20,313,023
NET BOOK VALUE				
At 31 December 2003	89,229,104	448,508	1,953,564	91,631,176
At 31 December 2002	90,585,418	603,446	10,697,045	101,885,909
Depreciation charge for 2002	1,300,593	171,126	2,458,130	3,929,849

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

* **Land and buildings**

Group	Freehold land RM	Long term leasehold land RM	Short term leasehold land and building RM	Buildings RM	Total RM
COST					
At 1 January 2003	24,922,500	27,276,741	203,915	48,213,950	100,617,106
Additions	-	-	-	40,244	40,244
Disposal of subsidiaries	-	-	(203,915)	-	(203,915)
At 31 December 2003	24,922,500	27,276,741	-	48,254,194	100,453,435
ACCUMULATED DEPRECIATION					
At 1 January 2003	-	2,273,052	101,957	7,656,679	10,031,688
Charge for the year	-	329,516	566	965,084	1,295,166
Disposal of subsidiaries	-	-	(102,523)	-	(102,523)
At 31 December 2003	-	2,602,568	-	8,621,763	11,224,331
NET BOOK VALUE					
At 31 December 2003	24,922,500	24,674,173	-	39,632,431	89,229,104
At 31 December 2002	24,922,500	25,003,689	101,958	40,557,271	90,585,418
Depreciation charge for 2002	-	329,517	6,797	964,279	1,300,593

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

**** Other assets**

Group	Equipment, furniture and fittings RM	Motor vehicles RM	Refurbishment & renovation RM	Total RM
COST				
At 1 January 2003	25,467,194	3,153,770	431,785	29,052,749
Additions	820,914	127,446	-	948,360
Disposals	(21,892)	-	-	(21,892)
Disposal of subsidiaries	(18,958,307)	(1,550,687)	-	(20,508,994)
Write-offs	(447,742)	-	-	(447,742)
At 31 December 2003	6,860,167	1,730,529	431,785	9,022,481
ACCUMULATED DEPRECIATION				
At 1 January 2003	16,082,832	2,143,337	129,535	18,355,704
Charge for the year	406,972	216,505	50,252	673,729
Disposals	(10,973)	-	-	(10,973)
Disposal of subsidiaries	(10,405,030)	(1,096,771)	-	(11,501,801)
Write-offs	(447,742)	-	-	(447,742)
At 31 December 2003	5,626,059	1,263,071	179,787	7,068,917
NET BOOK VALUE				
At 31 December 2003	1,234,108	467,458	251,998	1,953,564
At 31 December 2002	9,384,362	1,010,433	302,250	10,697,045
Depreciation charge for 2002	1,958,177	456,775	43,178	2,458,130

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

Company	Long term leasehold land and building RM	Equipment, furniture and fittings RM	Motor vehicles RM	Total RM
COST				
At 1 January 2003	11,934,000	51,137	231,841	12,216,978
Additions	-	5,604	-	5,604
At 31 December 2003	11,934,000	56,741	231,841	12,222,582
ACCUMULATED DEPRECIATION				
At 1 January 2003	852,431	38,032	139,220	1,029,683
Charge for the year	142,072	4,791	25,168	172,031
At 31 December 2003	994,503	42,823	164,388	1,201,714
NET BOOK VALUE				
At 31 December 2003	10,939,497	13,918	67,453	11,020,868
At 31 December 2002	11,081,569	13,105	92,621	11,187,295
Depreciation charge for 2002	142,073	8,884	46,366	197,323

(a) Net book values of property, plant and equipment held under hire purchase are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Plant and machinery	74,900	74,900	-	-
Other assets				
Equipment, furniture and fittings	76,500	299,220	-	-
Motor vehicles	293,663	765,569	23,653	92,621
	445,063	1,139,689	23,653	92,621

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

- (b) During the year, the property, plant and equipment of the Group and of the Company were acquired by means of:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash payments	941,978	1,979,114	5,604	9,869
Hire purchase	119,200	129,000	-	-
	1,061,178	2,108,114	5,604	9,869

- (c) The net book values of property, plant and equipment of the Group pledged to financial institutions for banking facilities granted to the subsidiaries as referred to in Note 16 are as follows:

	Group	
	2003 RM	2002 RM
Short term leasehold land and buildings	-	101,958
Long term leasehold land and buildings	50,847,076	51,739,166
	50,847,076	51,841,124

- (d) Included in the property, plant and equipment of the Group and of the Company are the following costs of fully depreciated assets which are still in use:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Plant and machinery	1,353,032	5,248,215	-	-
Other assets				
Equipment, furniture and fittings	4,505,906	4,916,059	34,078	29,305
Motor vehicles	585,063	585,065	106,000	106,000
	6,444,001	10,749,339	140,078	135,305

4. LAND AND DEVELOPMENT EXPENDITURE/DEVELOPMENT PROPERTIES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Land, at cost*				
At 1 January	122,587,925	107,877,065	20,264,893	18,448,867
Add: Transfer from property, plant and equipment	-	1,785,846	-	-
Additions	14,546,713	20,070,178	11,984,321	3,297,344
Less: Transfer to development expenditure	-	(1,785,846)	-	-
Adjustment	(2,288,855)	-	-	-
Disposal	(8,098,122)	(5,359,318)	-	(1,481,318)
At 31 December	126,747,661	122,587,925	32,249,214	20,264,893
Add: Development expenditure, at cost	165,632,517	146,994,927	-	-
Development of port facilities**	77,773,737	76,881,860	-	-
Adjustment	(79,294)	-	-	-
	370,074,621	346,464,712	32,249,214	20,264,893
Less: Non-current portion, classified as land and development expenditure	(138,824,100)	(123,271,699)	(9,184,854)	-
	231,250,521	223,193,013	23,064,360	20,264,893
Add: Guaranteed profits	15,599,090	12,032,227	-	-
Attributable profits	94,273,960	89,466,838	-	-
	341,123,571	324,692,078	23,064,360	20,264,893
Less: Foreseeable losses	(2,466,400)	(728,853)	-	-
Proceeds received by a subsidiary	(26,829,551)	(15,685,899)	-	-
Progress billings***	(197,612,485)	(184,315,986)	-	-
Current portion classified as development properties	114,215,135	123,961,340	23,064,360	20,264,893

* Title of certain land costing RM17,697,953 (2002 : RM22,795,799) have yet to be issued to certain subsidiaries.

Included in freehold land of the Group is an amount of RM6,356,944 (2002 : RM6,356,944) being pledged to a bank for banking facilities granted to a subsidiary as referred to in Note 16.

4. LAND AND DEVELOPMENT EXPENDITURE/DEVELOPMENT PROPERTIES (CONT'D)

** The development of port facilities comprises the following:

Group	Long term leasehold portland RM	Port structure RM	Port equipment RM	Total RM
COST				
At 1 January 2003	14,267,449	64,041,335	6,486,981	84,795,765
Additions	257,842	160,971	1,871,664	2,290,477
At 31 December 2003	14,525,291	64,202,306	8,358,645	87,086,242
ACCUMULATED DEPRECIATION				
At 1 January 2003	960,489	2,372,621	4,580,795	7,913,905
Charge for the year	145,983	504,411	748,206	1,398,600
At 31 December 2003	1,106,472	2,877,032	5,329,001	9,312,505
NET BOOK VALUE				
At 31 December 2003	13,418,819	61,325,274	3,029,644	77,773,737
At 31 December 2002	13,306,960	61,668,714	1,906,186	76,881,860
Depreciation charge for 2002	143,059	491,933	644,686	1,279,678

(a) The long term leasehold portland of the Group is charged to bank as security for the redeemable preference shares issued by a sub-subsidiary to the syndicated lenders [Note 37(b)].

(b) During the year, the port facilities of the Group were acquired by means of:

	Group	
	2003 RM	2002 RM
Cash payments	2,290,477	547,687
Hire purchase financing	-	190,840
	2,290,477	738,527

(c) Included in port facilities of the Group are motor vehicles held under hire purchase arrangements at net book value of RM572,217 (2002 : RM649,697).

4. LAND AND DEVELOPMENT EXPENDITURE/DEVELOPMENT PROPERTIES (CONT'D)

*** Included in progress billings are amounts received and receivable as follows:

	Group	
	2003 RM	2002 RM
Amounts received	148,106,679	136,184,423
Amounts receivable (Note 13)	49,505,806	48,131,563
	197,612,485	184,315,986

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 RM	2002 RM
Unquoted shares, at cost		
Ordinary shares	1,602,509	12,904,833
Preference shares	5,100,000	5,100,000
	6,702,509	18,004,833

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

Name of Subsidiaries	Paid-up Capital RM	Equity Interest Held (%)		Principal Activities
		2003	2002	
Anakku Holdings Sdn. Bhd. (Note 38(c))	11,352,326	-	100	Investment holding
Magni D'Corp Sdn. Bhd.	500,000	100	100	Property investment
PCB Development Sdn. Bhd.	1,000,000	100	100	Investment holding and real property development
Premium Meridian Sdn. Bhd.	2	100	100	Property development
Taipan Merit Sdn. Bhd.	100,000	100	100	Investment holding
Trans Bid Sdn. Bhd.	1,000	51	51	Distribution, operation and management of water supply services

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries	Paid-up Capital RM	Equity Interest Held (%)		Principal Activities
		2003	2002	
Held by Anakku Holdings Sdn. Bhd.				
Anakku Baby Products Sdn. Bhd.	4,000,000	-	100	Trading of children's wear and related products
Anakku LSR Baby Products Sdn. Bhd.	2,500,000	-	100	Trading of children's wear and related products
Weltex Knitwear Industries Sdn. Bhd.	2,000,000	-	100	Manufacturing and trading of children's wear and related products
Generasi Arif (M) Sdn. Bhd.	500,000	-	100	Trading of children's wear and related products
Anakku Baby Connection Sdn. Bhd.	100,000	-	100	Retailing of children's wear and related products
Held by PCB Development Sdn. Bhd.				
PCB Trading & Manufacturing Sdn. Bhd.	50,000	100	100	Trading and manufacturing of building materials
PCB Transportation Travel & Tours Sdn. Bhd.	400,002	100	100	Provision of transport and travel services
Held by Taipan Merit Sdn. Bhd.				
Lumut Maritime Terminal Sdn. Bhd.*	9,800,000 200,000 redeemable preference shares	50 plus 1 share	50 plus 1 share	Development of an integrated privatised project and encompassing operations of multipurpose port facilities, sales and rental of port related land and other ancillary activities
Cash Hotel Sdn. Bhd.	42,800,000 51,000 preference shares	61.16	61.16	Hotelier, restaurateur and property developer

5. **INVESTMENTS IN SUBSIDIARIES (CONT'D)**

Name of Subsidiaries	Paid-up Capital RM	Equity Interest Held (%)		Principal Activities
		2003	2002	
Held by Lumut Maritime Terminal Sdn. Bhd.				
LMT Capital Sdn. Bhd.*	10 7,339 redeemable preference shares	100	100	Issuance and redemption of Redeemable Preference Shares in accordance with the debts restructuring scheme [Note 37 (b)]
Held by Cash Hotel Sdn. Bhd.				
Silveritage Corporation Sdn. Bhd.	5,000,000	100	100	Development of tourism projects
Held by Silveritage Corporation Sdn. Bhd.				
Cash Complex Sdn. Bhd.	1,840,000	50.48	50.48	Investment holding

* Audited by firms of auditors other than Ernst & Young

The directors are of the opinion that the fair values of the subsidiaries are not less than their carrying values as at 31 December 2003. The Company and its ultimate holding corporation will continue to assist in the development of the projects undertaken by the respective subsidiaries as and when required.

6. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
At cost:				
Quoted shares in Malaysia	20,000,000	-	20,000,000	-
Unquoted shares in Malaysia	3,992,793	3,992,793	3,992,793	3,992,793
	23,992,793	3,992,793	23,992,793	3,992,793
Share of post acquisition losses	(948,498)	(1,406,531)	-	-
	23,044,295	2,586,262	23,992,793	3,992,793
Represented by:				
Share of net tangible assets	23,044,295	2,586,262	-	-
Market value of quoted shares	20,766,667	-	20,766,667	-

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

Name of Company	Paid-up Capital RM	Equity Interest Held (%)		Principal Activities
		2003	2002	
Audrey International (M) Bhd [Note 38(c)]	52,823,667	22.12	-	Investment holding and provision of management services
Konsortium LPB Sdn. Bhd.	26,784,047	20	20	To construct, operate and manage the operation of the privatised project West Coast Highway for a 30-year concession period

7. OTHER INVESTMENTS

	Group and Company	
	2003 RM	2002 RM
At cost:		
Unquoted shares in Malaysia	25,000	25,000
Less: Provision for diminution in value of investment	(25,000)	-
	-	25,000
Quoted shares in Malaysia	4,622,500	4,622,500
	4,622,500	4,647,500
Market value of quoted shares	3,124,810	2,755,010

The directors are of the opinion that the investment in quoted shares shall be held for long term with no intention of disposal below cost. Provision for diminution shall only be provided for any permanent diminution in value.

8. NET GOODWILL ARISING ON CONSOLIDATION

	Group	
	2003 RM	2002 RM
COST		
At 1 January		
Goodwill arising on consolidation	43,292,735	43,292,735
Reserve arising on consolidation	(1,167,059)	(1,167,059)
Disposal of subsidiaries	(401,706)	-
At 31 December	41,723,970	42,125,676
AMORTISATION		
At 1 January		
Cumulative amortisation of goodwill	12,184,409	10,823,185
Cumulative recognition of reserve	(291,765)	(233,412)
Amortisation charge for the year	11,892,644	10,589,773
Recognition of reserve	2,164,637	2,164,637
Disposal of subsidiaries	(71,885)	(58,353)
	88,080	-
At 31 December	14,073,476	12,696,057
NET BOOK VALUE	27,650,494	29,429,619

9. OTHER INTANGIBLE ASSETS

	Group	
	2003 RM	2002 RM
At cost:		
Trademarks	-	223,162
Less: Accumulated amortisation	-	(194,913)
	-	28,249

Trademarks in prior year arose from Anakku Holdings Sdn. Bhd. which was disposed during the financial year.

10. SINKING FUND ACCOUNT

The sinking fund account of a subsidiary has been restructured in accordance with the Settlement Agreement dated 24 December 1999. Thereafter, funds shall be deposited by the subsidiary which shall be utilised progressively for the redemption of the Redeemable Preference Shares (“RPS”) issued by the sub-subsidiary to the syndicated lenders and the payment of the Final Settlement Sum over the tenure of the RPS according to the terms and conditions of the agreement [Note 37(b)].

11. DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest free and not repayable or due within the next twelve months.

12. INVENTORIES

	Group	
	2003 RM	2002 RM
At cost:		
Raw materials	-	415,232
Work-in-progress	-	623,734
Finished goods	288,582	21,454,295
Sundry supplies	59,806	31,278
Food and beverage	129,127	113,870
	477,515	22,638,409
At net realisable value:		
Finished goods	-	57,472
	477,515	22,695,881

The cost of inventories of the Group recognised as an expense during the financial year amounted to RM6,370,421 (2002 : RM55,579,317).

13. TRADE RECEIVABLES

	Group	
	2003 RM	2002 RM
Trade receivables	29,338,204	56,898,980
Progress billings receivables (Note 4)	49,505,806	48,131,563
	78,844,010	105,030,543
Less: Provision for doubtful debts	(31,056)	(690,526)
	78,812,954	104,340,017
Included in trade receivables are:		
Due from ultimate holding corporation	727,500	727,500
Due from fellow subsidiaries	18,984,990	18,984,990
Due from companies in which certain directors of certain subsidiaries have or deemed to have substantial interests	853,022	4,290,515
Due from a former corporate shareholder of a subsidiary	88,793	88,793
Due from a corporate shareholder of a subsidiary	7,325	6,800
Due from a related party	6,730,529	5,542,954

The amounts are unsecured, interest free and have no fixed terms of repayment.

Included in trade receivables of a subsidiary are amounts of RM1,792,241 (2002 : RM6,329,748) payable by means of contra for works performed as negotiated by the subsidiary.

The Group's normal trade credit term ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

14. OTHER RECEIVABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Due from ultimate holding corporation				
- non-trade	77,448,467	78,085,910	77,448,467	78,081,804
Due from subsidiaries				
- non-trade	-	-	368,486	2,631,198
Due from fellow subsidiaries				
- non-trade	20,125,361	23,286,421	20,125,361	23,286,421
Earnest deposits	662,598	662,598	-	-
Deposits	14,698,930	1,489,522	14,604,709	250
Project expenditure	293,299	293,299	-	-
Prepayments	5,935,638	6,316,738	6,775	29,670
Share application monies [Note 38(b)]	350,000	350,000	-	-
Sundry receivables	7,652,920	2,841,820	2,241,400	736,916
	127,167,213	113,326,308	114,795,198	104,766,259
Less: Impairment loss on project expenditure	(293,299)	(293,299)	-	-
Less: Provision for doubtful debts	(402,000)	(23,000)	(334,182)	(334,182)
	126,471,914	113,010,009	114,461,016	104,432,077

The amounts due from ultimate holding corporation of the Group and of the Company are unsecured, interest free and have no fixed terms of repayment.

Included in the amounts due from fellow subsidiaries of the Group and of the Company are advances together with accrued interest amounting to RM19,833,440 (2002 : RM8,307,763) which are unsecured, bear interest rates of between 7.15% to 7.2% (2002 : 7.0% to 7.5%) per annum, and have no fixed term of repayment.

The earnest deposits of the Group relates to deposit paid by a subsidiary for the purchase of a piece of land where the beneficial interest is in the process of being transferred to the said subsidiary by the ultimate holding corporation.

Included in the prepayments of the Group is an amount of RM5,615,026 (2002 : RM5,615,026) being interest prepaid to syndicated lenders in connection with the restructuring scheme as disclosed in Note 37(b) which shall be utilised for the redemption of the RPS.

14. OTHER RECEIVABLES (CONT'D)

Included in sundry receivables of the Group are amounts totalling RM650 (2002 : RM23,724) due from companies in which certain directors of certain subsidiaries have or deemed to have substantial interests. Also included in sundry receivables is an amount owing from Tabung Keusahawanan Bumiputera of RM2,100,000 (2002 : Nil). The amounts are unsecured, interest free and have no fixed terms of repayment.

The amounts due from subsidiaries of the Company are unsecured, interest free and have no fixed terms of repayment.

The Group has no other significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

15. CASH AND BANK BALANCES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash in hand and at bank	3,323,715	6,120,378	351,189	282,045
Deposits with licensed banks	30,537,562	11,567,901	10,500,000	-
	33,861,277	17,688,279	10,851,189	282,045

Included in the deposits with licensed banks of the Group are amounts of RM617,604 (2002 : RM4,392,781) pledged for guarantees and other bank facilities granted to certain subsidiaries as referred to in Note 16.

The average interest rates of the deposits with licensed banks during the financial year range between 2.2% to 3.1% (2002 : 2.3% to 4.0%) and the maturities of the deposits as at 31 December 2003 were between 2 days to 365 days (2002 : 2 days to 365 days).

16. BORROWINGS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
SHORT TERM BORROWINGS				
Secured:				
Bank overdrafts	1,644,696	6,284,295	-	-
Bankers acceptance	-	1,286,000	-	-
Term loans	2,000,000	3,303,000	-	-
Hire purchase payables (Note 17)	213,772	440,103	9,395	10,233
	3,858,468	11,313,398	9,395	10,233
Unsecured:				
Revolving credits	88,502,764	100,234,226	88,502,764	100,234,226
	92,361,232	111,547,624	88,512,159	100,244,459
LONG TERM BORROWINGS				
Secured:				
Term loans	2,585,008	6,389,000	-	-
Hire purchase payables (Note 17)	408,134	756,049	16,801	25,648
	2,993,142	7,145,049	16,801	25,648
TOTAL BORROWINGS				
Bank overdrafts	1,644,696	6,284,295	-	-
Bankers acceptance	-	1,286,000	-	-
Revolving credits	88,502,764	100,234,226	88,502,764	100,234,226
Term loans				
- term loan*	2,585,008	4,000,000	-	-
- repayable by 11 half yearly instalments commencing May 2000	2,000,000	5,000,000	-	-
- repayable by 60 equal monthly instalments commencing May 2000	-	692,000	-	-
	94,732,468	117,496,521	88,502,764	100,234,226
Hire purchase payables (Note 17)	621,906	1,196,152	26,196	35,881
	95,354,374	118,692,673	88,528,960	100,270,107

16. BORROWINGS (CONT'D)

	Group	
	2003 RM	2002 RM
Maturity of long term borrowings (excluding hire purchase):		
Within one year	2,000,000	3,303,000
Between one and two years	-	2,303,000
Between two and five years	2,585,008	4,086,000
	4,585,008	9,692,000

* The term loan of the Group are expected to be repaid over two to five years by way of redemption proceeds from disposal of development properties of a subsidiary.

The applicable interest rates during the financial year for borrowings, excluding hire purchase, were as follows:

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Bank overdrafts	7.75 - 8.40	7.90 - 8.40	-	-
Bankers acceptance	-	3.12	-	-
Revolving credits	5.00 - 5.50	5.00 - 5.50	5.00 - 5.50	5.00 - 5.50
Term loans	6.40 - 8.40	6.70 - 8.80	-	-

The secured bank overdrafts, bankers acceptance and term loans of the Group are secured by the following;

- (a) long term leasehold land and buildings of certain subsidiaries as referred to in Note 3;
- (b) freehold land of a subsidiary as referred to in Note 4;
- (c) deposits with licensed banks of certain subsidiaries as referred to in Note 15;
- (d) fixed and floating charge over properties and assets of certain subsidiaries as referred to in Note 3; and
- (e) corporate guarantees from the Company.

17. HIRE PURCHASE PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
MINIMUM HIRE PURCHASE PAYMENTS:				
Not later than 1 year	270,238	545,457	11,408	13,262
Later than 1 year and not later than 5 years	495,685	951,461	18,051	29,458
	765,923	1,496,918	29,459	42,720
Less: Finance charges	(144,017)	(300,766)	(3,263)	(6,839)
Present value of hire purchase payables (Note 16)	621,906	1,196,152	26,196	35,881
REPRESENTING HIRE PURCHASE LIABILITIES:				
Due within 12 months (Note 16)	213,772	440,103	9,395	10,233
Due after 12 months (Note 16)	408,134	756,049	16,801	25,648
	621,906	1,196,152	26,196	35,881

The hire purchase payables bore interest at the balance sheet date of between 5.0% to 10.0% (2002 : 4.1% to 11.0%) per annum.

18. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 7 to 90 days.

19. OTHER PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Due to ultimate holding corporation	694,086	145,063	-	-
Due to fellow subsidiaries	2,841,536	636,346	402,356	402,356
Deposits received	1,330,184	504,056	429,684	491,685
Dividend payable in relation to redeemable preference shares of a sub-subsidiary [Note 37(b)]	4,200,942	4,033,227	-	-
Accruals for development expenditure	-	8,940,416	-	-
Advances from purchasers	4,729,984	1,461,933	-	-
Advances received on contracts for tender	168,996	289,596	-	-
Accruals	3,320,560	10,643,270	273,474	498,634
Retirement benefits (Note 24)	57,400	11,066	-	-
Sales tax payables	-	63,086	-	-
Amount payable for the purchase of land	8,266,369	-	8,266,369	-
Funds for Operations and Maintenance (O&M)	8,994,204	-	-	-
Sundry payables	21,773,493	11,870,709	1,722,712	540,221
	56,377,754	38,598,768	11,094,595	1,932,896
Included in sundry payables are:				
Due to a former corporate shareholder of a subsidiary	2,883,550	3,255,992	372,441	312,442
Due to companies in which certain directors of certain subsidiaries have substantial interests	28,428	41,303	-	-
Amount due arising from the acquisition of certain properties in a subsidiary, Lumut Maritime Terminal Sdn. Bhd.*	1,011,161	1,011,161	-	-

* The amount will be classified as Class B preference shares of the subsidiary when approval from the relevant authorities is obtained.

20. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2003	2002	2003 RM	2002 RM
Authorised:	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid:				
At 1 January	70,000,000	70,000,000	70,000,000	70,000,000
Issued during the year:				
- private placement	10,000,000	-	10,000,000	-
- bonus issue	20,000,000	-	20,000,000	-
At 31 December	100,000,000	70,000,000	100,000,000	70,000,000

During the financial year, the Company increased its issued and paid-up capital from RM70,000,000 to RM100,000,000 by way of the issuance of:

- (a) 10,000,000 ordinary shares of RM1 each through a private placement, at an issue price of RM1.27 per share for cash, for additional working capital purposes. The share premium arising after deducting the transaction costs of RM427,103, amounted to RM2,272,897, and this has been credited to the share premium account.
- (b) 20,000,000 bonus shares of RM1 each, issued on the basis of one new share for every four existing shares held after the completion of the private placement, through capitalisation of a sum of RM20,000,000 from the share premium account of the Company.

The new ordinary shares rank *pari passu* in all respects with existing ordinary shares.

21. REDEEMABLE PREFERENCE SHARES

	Group	
	2003 RM	2002 RM
Redeemable preference share capital of RM1 each	7,339	7,339
Share premium account	73,382,661	73,382,661
	73,390,000	73,390,000

The Redeemable Preference Shares (“RPS”) consists of 7,339 RPS of RM1 each issued at a premium of RM9,999 each by a sub-subsidiary to the syndicated lenders in connection with the debt restructuring scheme [Note 37(b)].

22. RETAINED PROFITS

As at 31 December 2003, the Company have sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends amounting to approximately RM7,907,000 (2002 : RM8,372,000) out of its retained profits. If the balance of the retained profits were to be distributed as dividends, the Company would have a Section 108 shortfall of approximately RM13,310,000 (2002 : Nil).

23. DUE TO A SUBSIDIARY

The amount due to a subsidiary is non-trade in nature, unsecured, interest free and not repayable or due within the next twelve months.

24. RETIREMENT BENEFITS

The amounts recognised in the balance sheet are determined as follows:

	Group	
	2003 RM	2002 RM
Present value of unfunded defined benefits obligations	756,062	681,300
Unrecognised actuarial losses	(356,512)	(400,730)
Net liability	399,550	280,570
Analysed as:		
Current	57,400	11,066
Non-current	342,150	269,504
	399,550	280,570
The amounts recognised in the income statements are as follows:		
Current service cost *	56,496	66,155
Interest cost	45,766	-
Transition obligation recognised	80,146	-
Expense recognised in income statement	182,408	66,155

* The amount in 2002 was based on the subsidiary's own computation.

24. RETIREMENT BENEFITS (CONT'D)

Movements in the net liability in the current year were as follows:

	Group	
	2003 RM	2002 RM
At 1 January	280,570	250,709
Amounts recognised in the income statement	182,408	66,155
Contributions paid	(63,428)	(36,294)
At 31 December	399,550	280,570
Principal actuarial assumption used:	2003	2002
	%	%
Discount rate	7.0	-
Expected return on plan assets	-	-
Expected rate of salary increases	5.0	-
Future pension increases	-	-

25. DEFERRED TAX

	Group	
	2003 RM	2002 RM
At 1 January	2,032,388	2,230,607
Disposal of a subsidiary	(499,800)	-
Recognised in the income statement (Note 31)	1,742,412	(198,219)
At 31 December	3,275,000	2,032,388
Presented after appropriate offsetting as follows:		
Deferred tax assets	(840,000)	(1,707,412)
Deferred tax liabilities	4,115,000	3,739,800
	3,275,000	2,032,388

25. DEFERRED TAX (CONT'D)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Group
	Unabsorbed Capital Allowances RM
DEFERRED TAX ASSETS OF THE GROUP:	
At 1 January 2003	1,707,412
Recognised in the income statement	(867,412)
At 31 December 2003	840,000

	Group
	Accelerated Capital Allowances RM
DEFERRED TAX LIABILITIES OF THE GROUP:	
At 1 January 2003	3,739,800
Disposal of a subsidiary	(499,800)
Recognised in the income statement	875,000
At 31 December 2003	4,115,000

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Unused tax losses	4,678,022	4,709,941	-	-
Unabsorbed capital allowances	7,005,650	7,210,365	139,791	95,420

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the Company and its subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as there is no assurance that future taxable income will be sufficient to allow the benefit to be realised.

26. DISCONTINUING OPERATIONS

On 11 February 2003, the proposed disposal of Anakku Holdings Sdn. Bhd. (“AHSB”) and its subsidiaries was completed and AHSB ceased to be a wholly owned subsidiary of the Company. The subsidiary was an investment holding company with subsidiaries operating in the manufacturing and trading of children’s wear and related products.

The revenue, results and cash flows of the subsidiary were as follows:

	Financial period ended 11 Feb 2003 RM	Financial year ended 31 Dec 2002 RM
Revenue	7,665,265	104,885,124
Cost of sales	(3,953,750)	(55,499,059)
Gross profit	3,711,515	49,386,065
Other operating income	3,529	323,409
Distribution costs	(3,661,855)	(28,252,717)
Other operating expenses	(120,697)	(2,247,108)
Administrative expenses	(906,391)	(11,328,409)
(Loss)/profit from operations	(973,899)	7,881,240
Finance costs, net	(50,038)	(370,007)
(Loss)/profit before taxation	(1,023,937)	7,511,233
Taxation	-	(3,358,133)
(Loss)/profit attributable to shareholders	(1,023,937)	4,153,100
Cash flows from operating activities	(3,791,092)	383,674
Cash flows from investing activities	(17,108)	(1,376,064)
Cash flows from financing activities	410,784	(68,320)
Total cash flows	(3,397,416)	(1,060,710)

26. DISCONTINUING OPERATIONS (CONT'D)

The net assets of the subsidiary were as follows:

	11 Feb 2003 RM	31 Dec 2002 RM
Net assets disposed:		
Property, plant and equipment	9,204,685	9,350,557
Inventories	23,129,282	22,550,733
Intangible assets	26,475	28,249
Trade and other receivables	32,565,483	34,164,870
Cash and bank balances	3,198,614	6,416,174
Trade and other payables	(17,760,584)	(20,711,139)
Short term borrowings	(2,505,675)	(2,181,717)
Taxation	96,002	(906,193)
Long term borrowings	(914,596)	(647,911)
Deferred taxation	(499,800)	(499,800)
	46,539,886	47,563,823
Reserve on consolidation	(313,626)	
Gain on disposal to the Group	3,773,740	
Total consideration	50,000,000	
Satisfied by:		
Cash	30,000,000	
Issuance of shares in Audrey International (M) Bhd	20,000,000	
	50,000,000	
Net cash inflow arising on disposal:		
Cash consideration	30,000,000	
Cash and cash equivalents of subsidiary disposed	(2,605,651)	
	27,394,349	

There was no tax charge arising from the gain on disposal.

The effect of the disposal of subsidiary on the results of the Company for the year were as follows:

	2003 RM
Total consideration	50,000,000
Less: Cost of investments in subsidiaries	(11,352,324)
Gain on disposal of subsidiary	38,647,676

27. REVENUE

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Dividend income (gross)				
Subsidiaries	-	-	-	1,494,444
Quoted shares in Malaysia	73,960	147,920	73,960	147,920
Development properties				
Sale of development properties	18,010,459	4,820,467	-	-
Profit from joint development project	3,566,863	1,500,000	-	-
Hotel related operations	12,611,142	13,557,708	-	-
Management fees	-	-	-	150,000
Port services	38,823,807	25,496,538	-	-
Proceeds received from bus fare collections and provision of charter services	34,559	59,683	-	-
Project management fees	1,408,650	29,751	-	-
Rental income	2,328,576	2,342,657	2,023,549	2,023,549
Sale of goods	8,033,515	104,954,077	-	-
Sale of land	22,028,230	22,342,371	-	1,800,000
	106,919,761	175,251,172	2,097,509	5,615,913

28. COST OF SALES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cost of development properties	19,407,075	4,821,451	-	-
Cost of goods sold	9,131,122	60,586,951	-	-
Cost of land sold	11,287,843	7,563,515	-	1,481,318
Cost of services	19,056,098	11,846,925	-	-
	58,882,138	84,818,842	-	1,481,318

29. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/ (crediting):

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Amortisation of goodwill arising on consolidation	2,164,637	2,164,637	-	-
Amortisation of intangible assets	-	26,234	-	-
Auditors' remuneration				
Statutory audits	64,400	133,600	15,000	15,000
Other services	5,000	6,000	5,000	6,000
Bad debts written off	85,943	-	-	-
Directors' remuneration*				
Directors of the Company:				
Fees	135,112	160,000	130,112	150,000
Other emoluments	167,880	146,000	20,100	-
Other directors:				
Fees				
- current year	24,000	68,000	-	-
- overprovision in prior year	-	(6,500)	-	-
Other emoluments	189,000	952,412	-	-
Depreciation**	3,498,907	5,209,527	172,031	197,323
Development expenditure written off	-	12,252	-	-
Provision for diminution in value of investment	25,000	-	25,000	-
Inventories written down	-	80,461	-	-
Inventories written off	-	100,000	-	-
Management fees	-	12,220	-	-
Property, plant and equipment written off	-	816,088	-	-
Provision for doubtful debts	384,250	120,508	-	-
Provision for retirement benefits	182,408	66,155	-	-
Royalties	-	2,336,413	-	-
Rental of port equipment	4,999,890	3,541,484	-	-
Rental of premises	343,160	5,341,484	325,160	325,160

29. PROFIT FROM OPERATIONS (CONT'D)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Staff costs ***	10,669,879	23,218,264	773,318	690,072
Loss/(gain) on disposal of property, plant and equipment	926	(42,461)	-	-
Amortisation of reserve arising on consolidation	(71,885)	(58,353)	-	-
Gain on foreign exchange - realised	-	(7,077)	-	-
Provision for doubtful debts written back	(808)	-	-	-
Interest income	(2,629,736)	(912,847)	(2,450,696)	(837,692)
Rental income	(2,218,105)	(304,556)	(2,023,549)	(2,023,549)

* The estimated monetary value of other benefits not included in the above received by the directors of the Group and the Company are:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Directors of the Company	6,700	8,900	-	-
Directors of subsidiaries	4,200	13,700	4,200	3,800
	10,900	22,600	4,200	3,800

** A portion of these expenses is charged to land and development expenditure whereby profits attributable to the percentage of completion of each individual project have been recognised in the income statement (Note 4).

*** Included in staff costs are contributions to Employees Provident Fund of RM769,576 (2002 : RM571,260) for the Group and RM33,048 (2002 : RM30,826) for the Company.

30. FINANCE COSTS

Include in finance costs are:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Redeemable preference shares dividends	10,858,062	5,090,042	-	-
Interest expenses	1,684,475	2,284,216	701,761	787,907
Agency fee	10,000	10,000	-	-

31. TAXATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax expense for the year	6,577,695	9,559,690	791,534	901,000
Deferred tax: Relating to origination and reversal of temporary differences (Note 25)	1,742,412	(198,219)	-	-
(Over)/under provision in prior years	(126,105)	570,809	(61,132)	(397,370)
	8,194,002	9,932,280	730,402	503,630

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2002 : 28%) of the estimated assessable profit for the year.

With effect from year of assessment 2003, for companies with paid up capital of RM2.5 million and below at the beginning of the basis period for the year of assessment, corporate tax at the rate of 20% is payable on chargeable income of up to RM100,000. For chargeable income in excess of RM100,000, corporate tax at the rate of 28% is applicable.

31. TAXATION (CONT'D)

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

	Group	
	2003 RM	2002 RM
Profit before taxation	9,869,465	23,361,199
Taxation at Malaysian statutory tax rate of 20% and 28% (2002 : 28%)	2,763,450	6,541,136
Expenses not deductible for tax purposes	6,137,124	3,551,543
Income not subject to tax	(1,056,647)	-
Other items	411,424	116,037
Tax savings recognised arising from unutilised tax losses brought forward	(1,502)	-
Utilisation of previously unrecognised unabsorbed capital allowances	-	(867,569)
Deferred tax assets not recognised during the year (Over)/underprovided in prior years	66,258 (126,105)	20,324 570,809
Tax expense for the year	8,194,002	9,932,280

	Company	
	2003	2002
Profit before taxation	35,500,355	2,203,065
Taxation at Malaysian statutory tax rate of 28%	9,940,099	616,858
Income not subject to tax	(10,821,349)	(418,444)
Expenses not deductible for tax purposes	1,672,784	702,586
Overprovided in prior years	(61,132)	(397,370)
Tax expense for the year	730,402	503,630

31. TAXATION (CONT'D)

Tax losses are analysed as follows:

	Group	
	2003 RM	2002 RM
Tax savings recognised during the year arising from:		
Utilisation of tax losses brought forward from previous years	1,502	-
Unutilised business losses carried forward	4,768,022	4,709,941

Unabsorbed capital allowances are analysed as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax savings recognised during the year arising from:				
Utilisation of unabsorbed capital allowances brought forward from previous years	867,849	623,630	-	-
Unabsorbed capital allowances carried forward	15,652,456	20,872,151	183,228	148,926

32. EARNINGS PER SHARE

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

	Group	
	2003	2002
Net profit attributable to shareholders (RM)	2,106,173	7,774,142
Weighted average number of ordinary shares:		
Issued ordinary shares at the beginning of the year	70,000,000	70,000,000
Effect of private placement	1,616,438	-
Effect of the bonus issue	20,000,000	20,000,000
Weighted average number of ordinary shares	91,616,438	90,000,000
Basic earnings per share (sen)	2.3	8.6

The weighted average number of ordinary shares used in the previous financial year's earnings per share calculation had been recomputed to take into account the effect of the bonus issue carried out in the current financial year.

The comparative basic earnings per share has been restated to take into account the effects of the bonus issue and changes in accounting policy (Note 2(a), Note 20 and Note 33) on net profit for the year.

33. PRIOR YEAR ADJUSTMENTS

During the financial year, the Group and the Company applied MASB 25: Income Taxes, which became effective from 1 July 2002, and accordingly modified certain accounting policies. The change in the accounting policy which resulted in prior year adjustments are discussed as follows:

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company has commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

33. PRIOR YEAR ADJUSTMENTS (CONT'D)

The change in accounting policy has been applied retrospectively and comparatives have been restated. The effects of change in accounting policy are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Effects on retained profits:				
At 1 January				
as previously stated	62,910,411	56,388,488	8,371,786	7,680,351
Effect of adopting MASB 25	1,044,253	800,034	-	-
At 1 January, as restated	63,954,664	57,188,522	8,371,786	7,680,351
Effects on net profit for the year:				
Net profit before change				
in accounting policy	2,973,585	7,529,923	34,769,953	1,699,435
Effect of adopting MASB 25	(867,412)	244,219	-	-
Net profit for the year	2,106,173	7,774,142	34,769,953	1,699,435

Comparative amounts as at 31 December 2002 have been restated as follows:

Group	Previously Stated	Adjustments	Restated
	RM	RM	RM
Deferred tax assets	-	1,707,412	1,707,412

34. DIVIDEND

	Amount		Dividend per share	
	2003 RM	2002 RM	2003 sen	2002 sen
(a) Final ordinary dividend of 2% less 28% taxation	1,008,000	1,008,000	1.4	1.4

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2003 of 2% on 100,000,000 ordinary shares less 28% taxation amounting to a total dividend of RM1,440,000 (1.4 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2004.

34. DIVIDEND (CONT'D)

- (b) During the year, a sub-subsidiary LMT Capital Sdn. Bhd. ("LMTc") paid a total dividend of RM5,601,702 less 28% taxation amounting to RM4,033,226 on 7,339 Redeemable Preference Shares ("RPS") of RM1 each for the financial year ended 31 December 2002 to its RPS holders [see Note 38(b)] as approved by LMTc's shareholder at the fourth Annual General Meeting of LMTc. The net dividend of RM4,033,226 has been paid on 10 December 2003.

By way of circular resolution dated 28 March 2003, the Board approved the payment of an annual RPS dividend of RM5,834,642 less 28% tax amounting to RM4,200,942. The dividends have not been paid as at financial year ended 31 December 2003.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group and the Company for the year are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
TRANSACTIONS WITH THE ULTIMATE HOLDING CORPORATION				
Perbadanan Kemajuan Negeri Perak				
Advances paid	2,424,317	2,780,751	2,424,317	2,780,751
Disbursements	83,739	108,716	83,739	108,716
Management fee expense	176,000	176,000	176,000	176,000
Project expenditure	1,424,000	1,424,000	1,424,000	1,424,000
Rental payable	325,160	325,160	325,160	325,160
Project income	(68,745)	(68,745)	-	-
Rental income	(2,023,549)	(2,023,549)	(2,023,549)	(2,023,549)
Repayment of advances	(1,885,329)	(946,145)	(1,776,329)	(946,145)

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
TRANSACTIONS WITH SUBSIDIARIES				
Magni D'Corp Sdn. Bhd.				
Gross dividend income received	-	-	-	(100,000)
Management fee income	-	-	-	(18,000)
Repayment of advances	-	-	63,774	-
Premium Meridian Sdn. Bhd.				
Advances paid	-	-	-	(50,000)
Repayment of advances	-	-	60,000	-
PCB Development Sdn. Bhd.				
Accounting fees	-	-	(18,000)	(12,000)
Advances paid	-	-	(1,580,356)	-
Disbursements	-	-	-	(31,447)
Interest income	-	-	(236,870)	(250,884)
Gross dividend income received	-	-	-	(700,000)
Management fee income	-	-	-	(132,000)
Repayment of advances	-	-	163,131	1,665,948
Taipan Merit Sdn Bhd				
Advances paid	-	-	(3,468)	(36,522)
Repayment of advances	-	-	50,000	-
TRANSACTIONS WITH FELLOW SUBSIDIARIES (SUBSIDIARIES OF THE ULTIMATE HOLDING CORPORATION)				
Cherry Blossom Sdn. Bhd.				
Interest income	(617,719)	(577,580)	(617,719)	(577,580)
Repayment of advances	-	93,084	-	93,084
Kuda Sejati Sdn Bhd				
Interest income	(1,306,953)	-	(1,306,953)	-
Advances paid	(179,320)	-	(179,320)	-
Advances received	2,205,190	-	-	-
Repayment of advances	5,265,052	-	5,265,052	-

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

TRANSACTIONS WITH RELATED PARTIES

A corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Integrax Bhd.				
Management fee expense	600,000	250,000	-	-

A former corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Halim Rasip Holdings Sdn. Bhd.				
Management fee expense	-	162,903	-	-
Advances paid	(60,000)	(60,000)	-	-

Companies in which certain directors, Amin bin Halim Rasip and Harun bin Halim Rasip, of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., have substantial interests

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Perak Freight Services Sdn. Bhd.				
Port revenue	(2,451,945)	(2,536,283)	-	-
Perak Haulage Sdn. Bhd.				
Port services payable	637,178	475,219	-	-
Lekir Bulk Terminal Sdn. Bhd.				
Port services receivable	(15,697,013)	(8,345,901)	-	-

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

TRANSACTIONS WITH RELATED PARTIES (CONT'D)

Companies in which certain directors, Amin bin Halim Rasip and Harun bin Halim Rasip, of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., have substantial interests

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Radikal Rancak Sdn. Bhd.				
Port services receivable	(6,779,405)	(2,096,050)	-	-

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

Account balances with significant related parties of the Group and of the Company at year end are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
ACCOUNT BALANCES WITH THE ULTIMATE HOLDING CORPORATION				
Perbadanan Kemajuan Negeri Perak				
Receivables	78,175,967	78,813,410	77,448,467	78,081,804
Payables	(694,086)	(145,063)	-	-
ACCOUNT BALANCES WITH SUBSIDIARIES				
Receivables:				
PCB Development Sdn. Bhd.	-	-	108,053,683	106,381,588
Premium Meridian Sdn. Bhd.	-	-	9,428,527	9,488,527
Taipan Merit Sdn. Bhd.	-	-	94,274,214	94,320,746
Trans Bid Sdn. Bhd.	-	-	22,787	18,860
Silveritage Corporation Sdn. Bhd.	-	-	11,517	11,517
Payables:				
Magni D'Corp Sdn. Bhd.	-	-	(1,219,585)	(1,283,358)

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
ACCOUNT BALANCES WITH FELLOW SUBSIDIARIES (SUBSIDIARIES OF ULTIMATE HOLDING CORPORATION)				
Receivables:				
Brand Equity Sdn. Bhd.	2,360,955	2,360,955	-	-
Cherry Blossom Sdn. Bhd.	8,832,435	8,214,716	8,832,435	8,214,716
Kuda Sejati Sdn. Bhd.	11,001,005	14,779,784	11,001,005	14,779,784
Perak Industrial Resources Sdn. Bhd.	16,915,956	16,915,956	291,921	291,921
Payables:				
Cherry Blossom Sdn. Bhd.	(233,990)	(233,990)	-	-
Kuda Sejati Sdn. Bhd.	(2,205,190)	-	-	-
Teliti Permai Sdn. Bhd.	(402,356)	(402,356)	(402,356)	(402,356)

ACCOUNT BALANCES WITH RELATED PARTIES

A corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Receivables:				
Integrax Bhd.	7,325	6,800	-	-

A former corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Halim Rasip Holdings Sdn. Bhd.				
Receivables	88,793	88,793	-	-
Payables	(3,255,992)	(3,255,992)	(372,442)	(313,442)

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Companies in which certain directors, Amin bin Halim Rasip and Harun bin Halim Rasip, of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., have substantial interests:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Perak Freight Services Sdn. Bhd.				
Receivables	853,022	4,290,515	-	-
Payables	(28,428)	(41,303)	-	-
Lekir Bulk Terminal Sdn. Bhd.				
Receivables	6,730,529	5,542,954	-	-

A company in which certain directors, Dato' Ismail Mokhtar bin Mohd Noor DPMP, PMP, AMP and Noraihan binti Abdul Rahman, of a subsidiary, Cash Hotel Sdn. Bhd., have substantial interests

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Silveritage Worldwide Management Sdn. Bhd.				
Receivables	650	23,724	-	-

36. CAPITAL COMMITMENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Approved and contracted for:				
Property, plant and equipment	58,390	468,000	-	-
Authorised but not contracted for:				
Land and buildings	1,244,000	1,256,000	-	-
Property, plant and equipment	3,605,000	7,668,000	400,000	50,000
	4,849,000	8,924,000	400,000	50,000
	4,907,390	9,392,000	400,000	50,000

37. CONTINGENT LIABILITIES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
(a) Unsecured:				
Guarantees given to banks in respect of facilities granted to a subsidiary (2002 : subsidiaries)	-	-	3,567,000	6,200,963
Secured:				
Performance guarantee given to a third party: - on behalf of a subsidiary which was disposed of in previous year*	-	260,936	-	260,936
Guarantees given to banks in respect of facilities granted to subsidiaries disposed of in previous year*	-	12,324,149	-	1,198,000
Guarantees given to banks in respect of financial assistance provided by a subsidiary to a third party	-	5,000,000	-	-
	-	17,585,085	-	1,458,936

* These relate to corporate guarantees given in the previous years by the Company and a subsidiary of the Company to financial institutions on behalf of former subsidiaries, Consobiz Ventures Sdn. Bhd. and B.T. Engineering Sdn. Bhd., for banking facilities granted.

(b) In accordance to the Settlement Agreement dated 24 December 1999 between Lumut Maritime Terminal Sdn. Bhd. ("LMT"), a subsidiary incorporated in Malaysia and the financial institutional creditors ("the lenders") to restructure its syndicated loan, in the event that the Redeemable Preference Shares ("RPS") issued to the lenders are not fully redeemed by LMT Capital Sdn. Bhd. ("LMTC") within six years or there occurs a default by LMTC, the RPS holders have a put option to redeem the RPS from LMT ("Put Option I") and thereafter by a put option on the Company as one of the shareholders of LMT on a several and proportionate basis ("Put Option II").

37. CONTINGENT LIABILITIES (CONT'D)

(b) (Cont'd)

The Put Option I on LMT is fully secured as follows:

- (i) a first legal charge on both portland which includes the land held for development and industrial land as disclosed in Note 4;
- (ii) a fixed and floating charge over all the assets and undertakings of LMT, both present and future;
- (iii) an assignment of the relevant insurance policies;
- (iv) assignment of port revenues less port operating expenses and proceeds of industrial land sales less development cost.

The holders of the RPS are not entitled to any voting rights and shall rank in priority to the ordinary shares of LMTC in respect of payment or distribution by LMTC.

In the event at any time the total issue price of all RPS (which have not been redeemed) plus the Cumulative Dividend attributable thereto (hereinafter referred to as the "Amount Outstanding") is less than RM30,000,000 and the total value of the assets of LMT is at least three times the value of the Amount Outstanding, the Put Option II on the Company shall lapse and the RPS holders shall not have any rights or claims against the Company and other shareholders of LMT under this Put Option II.

The RPS carry a cumulative and annual dividend obligation with a provision for a minimum annual dividend of 2% per annum for the first three years and 3.5% for the subsequent three years. Dividends are determined by reference to each RPS holders' effective cost of funds obtainable on a 3 or 6 months basis plus 1.25%. The total cumulative gross dividend to the RPS holders as at 31 December 2003 amounted to approximately RM12,877,495 (2002 : RM12,877,495), after deducting the proposed RPS dividend described below.

At the forthcoming Annual General Meeting of LMTC, an annual RPS dividend in respect of the current financial year ended 31 December 2003 of RM5,834,642 (2002 : RM5,601,702) less 28% taxation amounting to RM4,200,942 (2002 : RM4,033,227) will be proposed for the approval of LMTC's shareholders.

The total value of RPS which has not been redeemed as at 31 December 2003 is RM73,390,000 (2002 : RM73,390,000).

38. SIGNIFICANT EVENTS

- (a) On 15 January 1996, Cash Hotel Sdn. Bhd. ("CHSB"), a 61.16% subsidiary incorporated in Malaysia, entered into an agreement with Keris Properties Sdn. Bhd. ("KP") to jointly develop the land held by the CHSB by way of mixed development of condominiums and offices blocks. Due to economic circumstances, thereafter, the proposed development project has been deferred. Subsequently, CHSB has agreed to vary certain terms and conditions pertaining to the agreement. As at todate, the variations have yet to be finalised.

38. SIGNIFICANT EVENTS (CONT'D)

- (b) On 3 April 2000, PCB Development Sdn. Bhd., a subsidiary of the Company entered into a Shareholders Agreement with Cherry Blossom Sdn. Bhd., a subsidiary company of Perbadanan Kemajuan Negeri Perak (“PKNP”), and a third party for the purpose of subscribing 35% of the equity interest in PCB Communications Sdn. Bhd. (“PCB Communications”), a company incorporated in Malaysia. PCB Communications has an authorised share capital of RM1 million with the main objective of setting up a factory for the manufacturing, fabrication, integration and trading of specialised products and components of base material composite and metal and for the supply and integration of telecommunication and IT services. During the financial year, the management of PCB Development Sdn. Bhd. has decided to revoke the Shareholders’ Agreement. The revocation has yet to be finalised as at year end.
- (c) On 31 January 2002, the Company entered into a Heads of Agreement with Audrey International (M) Bhd. (“AIMB”) for the proposed disposal of the entire interest in the issued and paid up capital of its wholly owned subsidiary, Anakku Holdings Sdn. Bhd. (“AHSB”) (“the Proposed Disposal”) for a total consideration of RM50 million.

On 22 April 2002, the Company entered into a Sale and Purchase Agreement with AIMB in respect of the Proposed Disposal. The total consideration of RM50 million for the Proposed Disposal shall be satisfied by way of cash payment of RM30 million and the balance of RM20 million by way of the issue 11,666,667 new ordinary shares of RM1.00 each of AIMB (“AIMB Shares”) at an issue price of approximately RM1.72 per share which was arrived at on a willing buyer willing seller basis (“consideration shares”).

The Proposed Disposal was approved conditionally by the Securities Commission (“SC”) on 23 August 2002 where, inter-alia, a moratorium has been imposed on the 50% of the consideration shares whereby PCB will not be allowed to sell, transfer or assign these shares for at least one (1) year from the date of the listing of and quotation for the consideration shares. Thereafter, PCB will be allowed to sell, transfer or assign only up to a maximum of one-third (1/3) of them per annum.

The Proposed Disposal was approved by the shareholders of the Company at an Extraordinary General Meeting held on 27 November 2002.

On 11 February 2003, the disposal of Anakku Holdings Sdn. Bhd. was completed and AHSB ceased to be a wholly owned subsidiary of the Company and AIMB became an associate of the Company.

- (d) On 4 October 2002, Konsortium LPB Sdn. Bhd. (“KLPB”), an associate, was informed by the Economic Planning Unit of the Prime Minister’s Department of its decision for KLPB to proceed with the construction of the West Coast expressway based on the following:
- (i) the Selangor stretch will be privatised on a “Build-Operate-Transfer” basis with the land acquisition cost of up to RM250 million to be borne by the Government of Malaysia (“Government”); and
 - (ii) for the Perak stretch, the project cost shall be borne by the Government on a deferred payment basis subject to the finalisation of the actual cost between the Government and KLPB.

On 8 October 2002, the Company and the other shareholders of KLPB signed a Supplemental Agreement cum Deed of Adherence to the Shareholders Agreement to effect amendments to certain clauses in the said Shareholders Agreement. As at todate, the necessary approval from the relevant authority has yet to be obtained.

38. SIGNIFICANT EVENTS (CONT'D)

- (e) In respect of the announcement on the corporate proposal made by the Company on 27 November 2002, the Company has during the financial year:
- (i) completed the private placement of 10,000,000 new ordinary shares of RM1 each, at an issue price of RM1.27 per share on 13 November 2003.
 - (ii) completed on 5 December 2003, the transfer of the listing and quotation of the entire issued and paid up share capital from the Second Board to the Main Board of the Malaysia Securities Exchange Berhad upon the completion of the private placement, above.
 - (iii) completed on 24 December 2003, the bonus issue of 20,000,000 new ordinary shares of RM1 each on the basis of one ("1") new ordinary share for every four ("4") existing shares held.

39. SUBSEQUENT EVENTS

- (a) On 4 February 2004, the Company entered into a Sale and Purchase Agreement ("SPA") with Golden Hope Development Sdn. Bhd. to acquire a portion of land known as Ladang Strathisla held under Geran 7555 Lot 11674 and Geran 9359 Lot 15436, both in the Mukim of Hulu Kinta, District of Kinta, State of Perak Darul Ridzuan measuring approximately 240 acres ("the Land") for a consideration of RM20,400,000. The land located in the vicinity of Bandar Meru Raya, a new township being developed by PCB Development Sdn. Bhd. ("PCBD"), the Company's wholly owned subsidiary, has been acquired for mixed development purposes.
- (b) On 9 February 2004, PCBD has entered into a Development Agreement ("the said Agreement") with a third party for the design, construction and development of a fully integrated theme park within 5 years hereof on a 25-acre piece of land located in its township of Bandar Meru Raya. The said Agreement is conditional upon the fulfilment of certain conditions precedent including obtaining approval of Foreign Investment Committee (if so required) by the third party, within 120 business days from the date of the said Agreement.

40. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments. No geographical segment analysis is prepared as the Group's business activities are predominantly located in Malaysia.

The Group is organised into four major business segments:

- (i) **Hotel and Tourism**
Operation of hotels and development of tourism projects;
- (ii) **Infrastructure**
Development of an integrated privatised project and encompassing operations of multipurpose port facilities, sales and rental of port related land and other ancillary activities;
- (iii) **Township Development**
The township development of real property; and
- (iv) **Management services and others**
Provision of management services and other business segments which include property investment and distribution, none of which are of a sufficient size to be reported separately.

40. SEGMENTAL INFORMATION (CONT'D)

On 11 February 2003, the business segment of manufacturing and consumer products was disposed off (Note 26).

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on negotiated terms.

Group	Manufacturing and consumer products RM	Hotel and tourism RM	Infra-structure RM	Township develop-ment RM	Management services and others RM	Eliminations RM	Consolidated RM
2003							
REVENUE AND EXPENSES							
Revenue							
External revenue	7,665,265	24,059,821	45,160,452	27,936,714	2,097,509	-	106,919,761
Inter-segment revenue	-	-	-	-	-	-	-
Total revenue	7,665,265	24,059,821	45,160,452	27,936,714	2,097,509	-	106,919,761
Result							
Segment results	(973,899)	2,655,390	17,752,035	3,379,745	35,953,739	(36,991,976)	21,775,034
Unallocated corporate expenses							-
Profit from operations							21,775,034
Finance costs	(50,038)	(309,135)	(10,899,003)	(829,471)	(701,761)	236,871	(12,552,537)
Share of results of associated companies							646,968
Taxation	-	(867,412)	(5,466,212)	(921,035)	(750,408)	(188,935)	(8,194,002)
Profit after taxation							1,675,463

2002							
REVENUE AND EXPENSES							
Revenue							
External revenue	104,885,124	18,230,488	31,402,768	16,761,323	3,971,469	-	175,251,172
Inter-segment revenue	-	-	-	1,350	1,644,444	(1,645,794)	-
Total revenue	104,885,124	18,230,488	31,402,768	16,762,673	5,615,913	(1,645,794)	175,251,172
Result							
Segment results	7,881,240	1,780,144	18,734,532	3,441,494	2,871,565	(3,626,017)	31,082,958
Unallocated corporate expenses							-
Profit from operations							31,082,958
Finance costs	(370,007)	(535,090)	(5,119,664)	(963,129)	(787,907)	250,884	(7,524,913)
Share of results of an associated company							(196,846)
Taxation	(3,358,133)	244,219	(5,494,301)	(780,098)	(543,967)	-	(9,932,280)
Profit after taxation							13,428,919

40. SEGMENTAL INFORMATION (CONT'D)

Group	Manufacturing and consumer products RM	Hotel and tourism RM	Infra-structure RM	Township develop-ment RM	Management services and others RM	Eliminations RM	Consolidated RM
2003							
ASSETS AND LIABILITIES							
Segment assets	-	67,267,628	191,667,748	159,626,598	487,453,808	(286,787,654)	619,228,128
Investment in associates	-	-	-	-	23,992,793	(948,498)	23,044,295
Unallocated corporate assets							-
Consolidated total assets							642,272,423
Segment liabilities	-	(13,434,274)	(101,304,296)	(134,956,875)	(195,485,727)	214,144,495	(231,036,677)
Unallocated corporate liabilities							(73,412,469)
Consolidated total liabilities							(304,449,146)
OTHER INFORMATION							
Capital expenditure	-	746,807	102,499	178,240	5,604	-	1,033,150
Depreciation	-	1,492,000	1,494,617	177,278	172,031	-	3,335,926
Amortisation	-	(25,289)	-	-	-	2,118,041	2,092,752
Non-cash expenses other than depreciation and amortisation							
- others	-	179,665	85,943	382,000	-	-	647,608
2002							
ASSETS AND LIABILITIES							
Segment assets	58,524,169	67,633,767	173,657,756	162,266,941	464,779,770	(282,260,071)	644,602,332
Investment in an associate	-	-	-	-	3,992,793	(1,406,531)	2,586,262
Unallocated corporate assets							-
Consolidated total assets							647,188,594
Segment liabilities	(23,540,767)	(14,439,256)	(85,074,927)	(140,115,435)	(198,178,404)	213,442,258	(247,906,531)
Unallocated corporate liabilities							(74,829,856)
Consolidated total liabilities							(322,736,387)
OTHER INFORMATION							
Capital expenditure	1,523,703	224,843	277,404	72,295	9,869	-	2,108,114
Depreciation	2,067,644	1,373,000	1,372,366	199,194	197,323	-	5,209,527
Amortisation	262,334	(25,289)	-	-	-	2,131,573	2,368,618
Non-cash expenses other than depreciation and amortisation							
- others	1,044,572	107,981	450	-	-	-	1,153,003

41. COMPARATIVES

The comparative figures have been audited by a firm of chartered accountants other than Ernst & Young.

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of changes in accounting policies as disclosed in Note 2(a) and Note 33.

42. FINANCIAL INSTRUMENTS

(a) **Financial Risk Management Objectives and Policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) **Interest Rate Risk**

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2003. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) **Foreign Exchange Risk**

The Group's sales transactions are mainly in Malaysian Ringgit and are thus not exposed to foreign exchange risk.

(d) **Liquidity Risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

42. FINANCIAL INSTRUMENTS (CONT'D)

(e) **Credit Risk**

The Group's credit policy and guidelines assess, evaluate and monitor credit risk of trade receivables. Credit risk is controlled via credit worthiness checking, credit limits, credit term setting and approval and credit risk exception reporting. Trade receivables are monitored on an ongoing basis as well as case by case basis, especially for the land customers.

The Group does not have any significant credit risk exposure to any individual customer or groups of customers. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets and liabilities in the balance sheets.

(f) **Fair Values**

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and the Company are represented as follows:

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial Assets				
Unquoted investment	3,992,793	*	3,992,793	*
Quoted investments	24,622,500	**	24,622,500	**
Due from related corporations and other related parties	124,959,311	***	309,364,556	***
Sinking fund account	1,713,527	^	-	^
	155,288,131		337,979,849	
Financial Liabilities				
Redeemable preference shares	73,390,000	#	-	-
Due to related corporations and other related parties	6,445,100	***	1,621,941	***
Long term borrowings	2,993,142	@	16,801	@
	82,828,242		1,638,742	

42. FINANCIAL INSTRUMENTS (CONT'D)

(f) **Fair Values (Cont'd)**

- * it is not practical to estimate the fair value of the unquoted investment because of the lack of quoted market price and the inability to estimate the fair value without incurring excessive costs. However, the Group and the Company believe that the carrying amount represents the recoverable value.
- ** the fair value of the quoted shares are disclosed in Note 6 and Note 7, which is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.
- *** it is not practical to estimate the fair values of amounts due from/to related corporations, associates and other related parties due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.
- ^ the carrying amount of this financial asset with floating rate approximates the fair value intrinsically.
- # it is not practical to estimate the fair value of this financial liability due principally to the principal terms of this financial liability as disclosed in Note 37(b).
- @ it is not practical to estimate the fair values of long term borrowings due to the inability to reliably estimate the discount rates without incurring excessive costs and lack of fixed repayment term in certain borrowings. However, the Group and the Company believe that the carrying amount approximates the fair values intrinsically.

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

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FORM OF PROXY

PERAK CORPORATION BERHAD
(Incorporated in Malaysia) (210915-U)



I/We _____
(FULL NAME IN BLOCK CAPITALS)

of _____
(FULL ADDRESS)

being a member/members of **PERAK CORPORATION BERHAD**, hereby appoint _____
(FULL NAME IN BLOCK CAPITALS)

of _____
(FULL ADDRESS)

or failing him/her, _____

of _____

as my/our proxy to vote for me/us and on my/our behalf, at the THIRTEENTH ANNUAL GENERAL MEETING of the Company to be held at Dewan Persidangan, Tingkat 4, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan on Thursday, 27 May 2004 at 12.00 noon or at any adjournment thereof in the manner indicated below:-

NO.	RESOLUTIONS	For	Against
1.	To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2003 together with the Report of the Directors and Auditors thereon. <i>(Resolution 1)</i>		
2.	To approve the payment of a first and final dividend of 2 sen per share less income tax for the year ended 31 December 2003. <i>(Resolution 2)</i>		
3.	To approve the payment of Directors' fees for the year ended 31 December 2003. <i>(Resolution 3)</i>		
4.	To re-elect Dr. Nawawi bin Mat Awin who retires in accordance with Article 80 of the Company's Articles of Association. <i>(Resolution 4)</i>		
5.	To re-elect the following Directors who retire in accordance with Article 87 of the Company's Articles of Association: a) Tuan Haji Megat Dziauddin bin Megat Mahmud <i>(Resolution 5)</i> b) Datuk Haji Faisal bin Haji Siraj <i>(Resolution 6)</i>		
6.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. <i>(Resolution 7)</i>		
7.	As special Business: Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature. <i>(Resolution 8)</i>		

(Please indicate with an "X" in the appropriate box above how you wish to cast your vote. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.)

Dated this _____ day of _____ in the year _____.

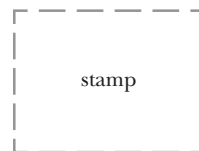
Number of ordinary shares held

Signature/Seal

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead and Section 149 (1) (b) of the Companies Act, 1965 shall not apply.
2. When a member appoints more than one proxy the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Share Registrar's Office at Room 305, 3rd Floor, Asia Life Building, 45 Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
6. The registration for the above Meeting will commence on Thursday, 27 May 2004 at 11.30 a.m.

First Fold



THE SECRETARY

PERAK CORPORATION BERHAD Co. No. 210915-U

Room 305, 3rd Floor, Asia Life Building,

45 Jalan Tun Sambanthan,

30000 Ipoh,

Perak Darul Ridzuan,

Malaysia.

Second Fold

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