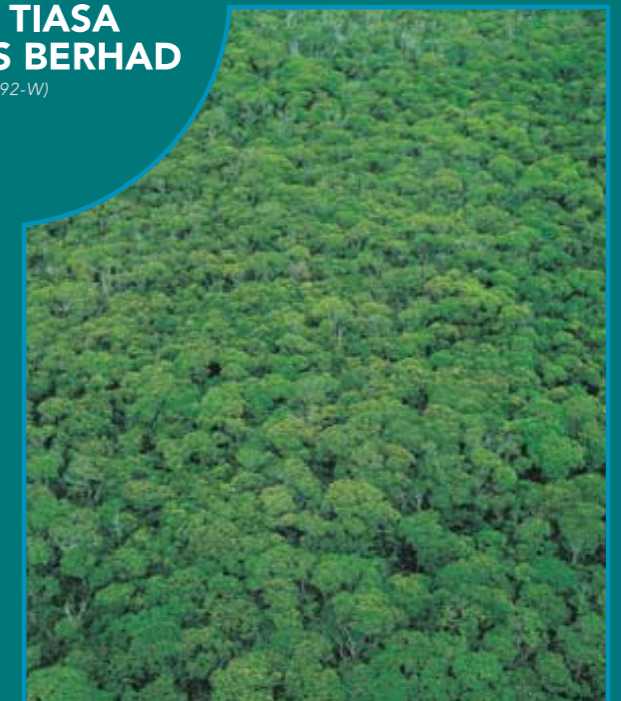
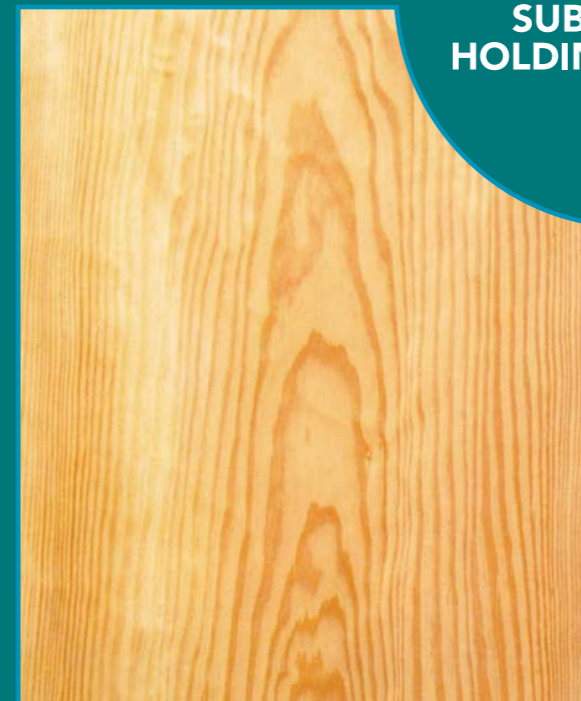


SUBUR TIASA HOLDINGS BERHAD (341792-W)

No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. No. 123, 96000 Sibul, Sarawak, Malaysia.
Tel: +6084 211555 Fax: +6084 211886 E-mail: suburth@tm.net.my

SUBUR TIASA HOLDINGS BERHAD (341792-W)

ANNUAL REPORT 2003



annual report year 2003

contents

| | |
|---|----|
| Notice of Annual General Meeting | 2 |
| Statement Accompanying Notice of Annual General Meeting | 5 |
| Corporate Information | 7 |
| Profile of Directors | 8 |
| Corporate Structure | 11 |
| Audit Committee Report | 12 |
| Corporate Governance Statement | 16 |
| Additional Compliance Information | 20 |
| Directors' Interest | 21 |
| Statement of Internal Control | 22 |
| Statement on Directors' Responsibility | 23 |
| Financial Highlights | 24 |
| Export Market Highlights | 25 |
| Chairman's Statement | 26 |
| Financial Statements | 28 |
| List of Properties | 78 |
| Analysis of Shareholdings | 79 |
| List of 30 Largest Shareholders | 80 |
| List of Substantial Shareholders | 81 |
| Proxy Form | |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at the Company's Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibul, Sarawak on Wednesday, 30 July 2003 at 11.00 am for the following purposes :-

Agenda

1. To receive and adopt the Audited Financial Statements for the year ended 31 January 2003 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of directors' fees amounting to RM99,600 for the year ended 31 January 2003. (2002 : RM75,250) **Resolution 2**
3. To re-elect the following directors :-
 - (a) Tiong Kiong King who retires in accordance with Article 86 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 3**
 - (b) YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh who retires in accordance with Article 86 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 4**
4. To consider and if thought fit, to pass the following resolution :-

"THAT YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai who retires in accordance with Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as a director of the Company to hold office until the conclusion of the next Annual General Meeting."

Resolution 5
5. To re-appoint Messrs. PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration for the ensuing year. **Resolution 6**
6. As Special Businesses

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions :-

 - **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Shareholders' Mandate")** **Resolution 7**

"THAT, approval be and is hereby given to the Company and its subsidiaries to renew the Shareholders' Mandate and to give effect to the specified Recurrent Related Party Transactions with the specific classes of the related parties as outlined in Point 3(b) (pages 3 to 12) of the Circular dated 8 July 2003, which are necessary for the STH Group's day-to-day operations subject further to the following :-

 - (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders; and
 - (b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year;

AND THAT, such approval shall continue to be in force until:-

 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company; or
 - (b) the expiration of the period within which the next AGM of STH subsequent to the date it is required to be held pursuant to Section 143(1) of the Malaysian 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;

Notice of Annual General Meeting (con'd)

whichever is the earlier;

AND THAT the Directors of the Company be authorized to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

- **Proposed Renewal of Authority for the Purchase of Own Shares**

Resolution 8

"THAT, subject always to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Kuala Lumpur Stock Exchange ("KLSE") and any other relevant authority, the Directors of the Company be and are hereby authorised to purchase and hold on the market of the KLSE such number of ordinary shares of RM1.00 each ("Shares") in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company ("Directors") from time to time through the KLSE upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company provided that the total aggregate number of Shares purchased and/or held or to be purchased and/or held pursuant to this resolution shall not exceed 20,000,000 Shares representing approximately ten percent (10%) of the total issued and paid-up share capital of 200,000,000 ordinary shares of RM1.00 each of the Company as at 24 June 2003 and an amount not exceeding RM20,000,000, being an amount not exceeding the total of the Company's share premium reserve account which stood at RM59,679,744 based on the latest audited accounts as at 31 January 2003, be allocated by the Company for the Proposed Share Buy-Back AND THAT, such Shares purchased are to be retained as treasury shares and distributed as dividends and/or resold on the market of the KLSE, or subsequently may be cancelled AND THAT the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, as may be required or imposed by any relevant authority or authorities AND FURTHER THAT the authority hereby given shall commence immediately upon passing of this ordinary resolution and shall continue in force until :-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of STH subsequent to the date it is required to be held pursuant to Section 143 (1) of the Malaysian 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 ordinary resolution passed by the Shareholders in general meeting;

whichever occurs first, in accordance with the provisions of the guidelines issued by the KLSE or any other relevant authorities."

- **Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

Resolution 9

"**THAT**, pursuant to Section 132D of the Companies Act, 1965 and subject always to the Articles of Association of the Company and approvals of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are hereby empowered to obtain approval for the listing and quotation of the additional shares so issued on the Kuala Lumpur Stock Exchange AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

Notice of Annual General Meeting (con'd)

- 7 To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

BY ORDER OF THE BOARD

NURULUYUN BINTI ABDUL JABAR

VOON JAN MOI

Joint Company Secretaries

Dated: 8 July 2003

Sibu, Sarawak

Explanatory Notes on Special Businesses

(a) Ordinary Resolution on Mandate for recurrent related party transactions

Paragraph 10.09 of Kuala Lumpur Stock Exchange states that with regard to related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations, the public listed company may seek a Shareholders' Mandate.

The proposed Resolution No. 7 if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties as identified in Point 3(b) (pages 3 to 12) of the Circular to Shareholders dated 8 July 2003, which are necessary for the STH Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders.

(b) Ordinary Resolution on Proposed Renewal of Authority for the Purchase of Own Shares

The proposed Resolution No. 8, if passed, will renew the authority for the Company to purchase up to ten per cent (10%) of the issued and paid-up ordinary share capital of the Company through the Kuala Lumpur Stock Exchange.

The authority to purchase share will expire at the conclusion of the next Annual General Meeting, unless earlier revoked or varied by ordinary resolution passed by shareholders at general meeting.

(c) Ordinary Resolution on Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution no. 9 in relation to authority to issue shares pursuant to Section 132D of the Companies Act, 1965, if passed, will empower the Directors to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interests of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy to attend the said meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his 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.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Statement Accompanying Notice of Annual General Meeting

1. Names of Directors standing for election or re-election

Directors who are standing for re-election at the Eighth Annual General Meeting of the Company are :-

| | | |
|---|----------------|----------------|
| Tiong Kiong King | Article 86 | (Resolution 3) |
| YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh | Article 86 | (Resolution 4) |
| YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai | Section 129(2) | (Resolution 5) |

2. Details of attendance of Directors at Board Meetings

There were 5 Board of Directors' Meetings held during the financial year ended 31 January 2003. Attendance of the Directors holding office at the end of the financial year is shown below :-

| Name of Directors | No. of attendance (%) |
|---|--------------------------|
| YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai | 100 |
| YBhg. Senator Datuk William Lau Kung Hui | 60 |
| YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh | 80 |
| Mr. Tiong Kiong King | 80 |
| Madam Tiong Ing | 100 |
| Mr. Tiong Chiong Ie (vacated on 25.02.2003) | 20 |
| Mr. Ngu Woo Hieng | 100 |

3. Place, date and time of the forthcoming Annual General Meeting

The Eighth Annual General Meeting shall be held at the Company's Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibul, Sarawak on Wednesday, 30 July 2003 at 11.00 am.

4. Profile of Directors who are standing for re-election

Further details pertaining to Directors standing for election and re-election are outlined on pages 8 to 10 of the Annual Report 2003.



- 1 YABhg Datuk Patinggi Tan Sri Dr Wong Soon Kai
- 2 Mr Tiong Kiong King
- 3 Mr Ngu Woo Hieng
- 4 YBhg Senator Datuk William Lau Kung Hui
- 5 Madam Tiong Ing
- 6 YBhg Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh



Corporate Information



Board of Directors

YABhg Datuk Patinggi Tan Sri Dr Wong Soon Kai
Chairman, Independent Non-Executive Director

Mr Tiong Kiong King
Vice Chairman, Non-Executive Director

Madam Tiong Ing
Executive Director

YBhg Senator Datuk William Lau Kung Hui
Independent Non-Executive Director

Mr Ngu Woo Hieng
Independent Non-Executive Director

YBhg Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh
Non-Executive Director

Audit Committee

YABhg Datuk Patinggi Tan Sri Dr Wong Soon Kai
Chairman, Independent Non-Executive Director

YBhg Senator Datuk William Lau Kung Hui
Member, Independent Non-Executive Director

Mr Ngu Woo Hieng
Member, Independent Non-Executive Director

Madam Tiong Ing
Member, Executive Director

Company Secretaries

Nuruluyun Binti Abdul Jabar (MIA 9113)
Voon Jan Moi (MAICSA 7021367)

Registered Office

No 66-78, Pusat Suria Permata, Jalan Upper Lanang
C.D.T. 123, 96000 Sibu, Sarawak
Tel: 084-211555
Fax: 084-211886
E-mail: suburth@tm.net.my

Registrar

Signet Share Registration Services Sdn Bhd
(Company No. 506293-D)
11th Floor, Tower Block, Kompleks Antarabangsa
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel: 03-21454337
Fax: 03-21421353

Auditors

PricewaterhouseCoopers
9th Floor, Bangunan Binamas, Jalan Padungan
93100 Kuching, Sarawak
Tel: 082-413957
Fax: 082-412644

Advocates & Solicitors

Khaw & Partner
Reddi & Co

Principal Bankers

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad
Citibank Berhad

Stock Exchange Listing

Main Board of the Kuala Lumpur
Stock Exchange

Profile of Directors

YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai, a Malaysian aged 76, is an Independent Non-Executive Director and the Chairman of the Board, Audit Committee, Nomination Committee and Remuneration Committee. He was appointed to the Board of Subur Tiasa Holdings Berhad on 21 June, 1997. He graduated with M.B.B.S from the University Malaya, Singapore and worked as a Specialist Medical Practitioner for over 20 years. In addition, he has also held several State Ministerial positions and was the Deputy Chief Minister of Sarawak.

YABhg. Datuk Patinggi Tan Sri Dr. Wong attended all of the 5 Board Meetings held during the financial year ended 31 January, 2003. He has direct shareholdings of 10,000 ordinary shares in Subur Tiasa Holdings Berhad as at 30 May, 2003.

YABhg. Datuk Patinggi Tan Sri Dr. Wong has no family relationship with any of the Directors or substantial shareholders of the Company. He has no conflict of interest with the Company and does not hold any directorship in any other public company.

Tiong Kiong King, a Malaysian aged 55, is a Non-Executive Director and Vice Chairman of the Board. He was appointed to the Board of Subur Tiasa Holdings Berhad on 21 June, 1997. He is also a member of the Nomination and Remuneration Committees formed by the Board of Subur Tiasa Holdings Berhad on 28 January, 2002. He has more than 25 years of managerial experience in the timber industry in various capacities.

Mr. Tiong attended 4 out of 5 Board Meetings held during the financial year ended 31 January, 2003. He has direct shareholdings of 1,122,404 ordinary shares in Subur Tiasa Holdings Berhad as at 30 May, 2003.

Mr. Tiong is a brother of Tan Sri Datuk Diong Hiew King @ Tiong Hiew King, a substantial shareholder of the Company; and uncle to Madam Tiong Ing who is the Executive Director of the Company. He does not hold any directorship in any other public company. He is deemed interested in recurrent related party transactions, of which a Shareholders' Mandate will be sought at the forthcoming AGM. Details pertaining to these transactions are disclosed in Note 25 of the Notes to the Financial Statements.

Tiong Ing, a Malaysian aged 45, is the Executive Director of the Company. She was appointed to the Board of Subur Tiasa Holdings Berhad on 25 July, 2001 and became a member of the Audit Committee on 13 November, 2001. She holds a Bachelor of Arts Degree in Business Administration from University of Winnipeg, Canada and is a licenced company secretary. She has worked in the timber industry spanning over 20 years serving in various managerial capacities.

Madam Tiong attended all the 5 Board Meetings held during the financial year ended 31 January, 2003. She has direct shareholdings of 303,506 ordinary shares in Subur Tiasa Holdings Berhad as at 30 May, 2003.

Madam Tiong is a daughter of Tan Sri Datuk Diong Hiew King @ Tiong Hiew King, a substantial shareholder of the Company and a niece to Mr. Tiong Kiong King who is also the Director of the Company. She does not hold any directorship in any other public company. She is deemed interested in recurrent related party transactions, of which a Shareholders' Mandate will be sought at the forthcoming AGM. Details pertaining to these transactions are disclosed in Note 25 of the Notes to the Financial Statements.

YBhg. Senator Datuk William Lau Kung Hui, a Malaysian aged 53, is an Independent Non-Executive Director and a member of the Audit Committee, Nomination and Remuneration Committees of the Company. He was appointed to the Board of Subur Tiasa Holdings Berhad on 21 June, 1997. He graduated with a Bachelor and Master of Laws Degrees from the University of London, United Kingdom, and a Barrister-at-Law from the Honourable Society of Lincoln's Inn, London. He has been a senior partner of a legal firm for over 25 years. He also currently sits on the Board of a public-listed company, Ekran Berhad.

YBhg. Senator Datuk William Lau attended 3 out of 5 Board Meetings held during the financial year ended 31 January, 2003. He has direct shareholdings of 10,000 ordinary shares in Subur Tiasa Holdings Berhad as at 30 May, 2003.

YBhg. Senator Datuk William Lau has no family relationship with any of the Directors or substantial shareholders of the Company. He has no conflict of interest with the Company.

YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh, a Malaysian aged 60, is a Non-Executive Director of the Company. He was appointed to the Board of Subur Tiasa Holdings Berhad on 21 June, 1997. He graduated from the Chartered Institute of Business Administration, Ireland. He was the Political Secretary to the YAB Chief Minister of Sarawak from 1967 to 1970 and a member of Council Negeri Sarawak from 1970 to 1974. From 1974 to 1981, he was the Political Secretary to the YAB Deputy Prime Minister and YAB Prime Minister of Malaysia. He also served as a Senator from 1981 to 1987. Recently, he was conferred the title of Temenggong for Kapit Division by the State Government of Sarawak in recognition of his contribution to the community.

YBhg. Temenggong Datuk Kenneth Kanyan attended 4 out of 5 Board Meetings held during the financial year ended 31 January, 2003. He has direct shareholdings of 300,000 ordinary shares in Subur Tiasa Holdings Berhad and indirect shareholdings of 16,130,983 through substantial shareholdings in Kinta Hijau Sdn. Bhd. as at 30 May, 2003.

YBhg. Temenggong Datuk Kenneth Kanyan has no family relationship with any of the Directors or substantial shareholders of the Company. He does not hold any directorship in any other public company. He is deemed interested in recurrent related party transactions, of which a Shareholders' Mandate will be sought at the forthcoming AGM. Details pertaining to these transactions are disclosed in Note 25 of the Notes to the Financial Statements.

Ngu Woo Hieng, a Malaysian aged 49, is an Independent Non-Executive Director and a member of the Audit Committee, Nomination and Remuneration Committees. He was appointed to the Board of Subur Tiasa Holdings Berhad on 22 February, 2002. He holds a diploma in Business majoring in Accounting from Ballarat College of Advanced Education, Australia. He is a member of the Malaysian Institute of Accountants, Fellow Member of the Malaysian Institute of Taxation and Fellow Member of the CPAs Australia. He is also a partner/chairman of an audit firm in Sarawak.

Mr. Ngu attended all the 5 Board Meetings held during the financial year ended 31 January, 2003.

Mr. Ngu has no family relationship with any of the Directors or substantial shareholders of the Company. He does not hold any directorship in any other public company and he has no conflict of interest with the Company.

Note :
All the Directors of Subur Tiasa Holdings Berhad have no convictions for any offences within the past 10 years.

Corporate Structure



SUBUR TIASA HOLDINGS BERHAD
(341792-W)



Audit Committee Report

Members And Meetings

The members of the Audit Committee during the year comprised the directors listed below.

During the year ended 31 January 2003, the Committee has held four meetings.

| Name | Status of directorship | No. of Meeting Applicable | Attendance of meetings |
|--|---|---------------------------|------------------------|
| YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai | Chairman Independent & Non-Executive | 4 | 4 |
| YBhg. Senator Datuk William Lau Kung Hui | Independent & Non-Executive | 4 | 3 |
| Madam Tiong Ing | Executive Director | 4 | 4 |
| Mr. Ngu Woo Hieng (appointed on 22nd February 2002) | Independent & Non-Executive | 4 | 4 |

Terms Of Reference

1. Constitution

- 1.1 The Board of Directors of Subur Tiasa Holdings Berhad ("STHB"), in accordance with Article 120 of the Memorandum and Articles of Association of STHB, has established a Committee of the Board, known as the Audit Committee ('AC'), vide the Board of Directors' Resolution in writing dated 21 June 1997.
- 1.2 The functions and authority of the AC extend to STHB and all its subsidiaries, where management's responsibility is vested to STHB or subsidiaries of STHB (Collectively referred to as the "Group").

2. Primary Purpose

- 2.1 The AC has been formed with the following objectives:
 - (a) Enhance openness, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the Shareholders.
 - (b) Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices.
 - (c) Enhance the Group's business efficiency, the quality of the accounting and audit function and strengthening of the public's confidence in the Group's reported results.
 - (d) Maintain, through regularly scheduled meetings, a direct line of communication between the Board and the External and Internal Auditors.
 - (e) Enhance the independence of the external and internal audit functions.

3. Membership

- 3.1 The members of the AC shall be appointed by the Board of Directors of STHB based on the recommendations of the Board Nomination Committee and shall consist of not less than three members, the majority of whom shall be independent. If membership for any reason falls below three members, the Board of Directors shall, within one month of that event, appoint such number of new members as may be required to fulfil the minimum requirement.
- 3.2 No alternate directors shall be appointed to the Audit Committee.

Audit Committee Report (con'd)

3. Membership (con'd)

- 3.3 At least one member of the Committee must meet the criteria set by the KLSE Listing Requirements Paragraph 15.10 (1c), i.e.:
- must be a member of the Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

4. Authority

- 4.1 The AC for the performance of its duties, shall in accordance to the same procedures adopted by the Board and at the cost of the Group:
- a) Have authority to investigate any activity within its Terms of Reference;
 - b) Have the resources which are required to perform its duties;
 - c) Have full and unrestricted access to any employee and information pertaining to the Group. All documents of the Group shall be made accessible to the AC;
 - d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity for the Group;
 - e) Have authority to direct the Internal Audit Functions (both corporate and subsidiaries where applicable) in its activities, including approval of appointments of senior executives and budgets in these functions; and
 - f) Be able to engage independent professional advisers or other advisers and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

5. Functions & Duties

The Committee shall carry out the following responsibilities :

Financial Statements

- 5.1 Review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
- (a) any changes in or implementation of major accounting policy changes
 - (b) major judgmental areas, significant and unusual events
 - (c) significant adjustments resulting from audit
 - (d) the going concern assumptions
 - (e) compliance with accounting standards
 - (f) compliance with KLSE Listing Requirements and other legal requirements
- 5.2 Review with management and the external auditors, the results of the audit.
- 5.3 Review, with the Group's Counsel, any legal matter that could have a significant impact on the organisation's financial statements.

Audit Committee Report (*con'd*)

5. Functions & Duties (*con'd*)

Internal Control

- 5.4 Assess the quality and effectiveness of the systems of internal control and the efficiency of the Group's operations, particularly those relating to areas of significant risks. Evaluate the process the Group has in place for assessing and continuously improving internal controls.
- 5.5 Review Internal Audit reports and Management's response and ensure that appropriate action is taken in respect of these and AC resolutions. Where actions are not taken within an adequate timeframe by management, the AC will report to the Board for its action.
- 5.6 Review External Audit reports and Management's response and ensure that appropriate action is taken in respect of these reports and AC resolutions.

Internal Audit (Corporate and Subsidiaries STHB)

- 5.7 Approve the charters of Internal Audit Functions in the Group and ensure that the internal audit functions are adequately resourced and have appropriate standing in the Group. This includes a review of the organisational structure, resource budgets and qualifications of the internal audit functions.
- 5.8 Review the adequacy of the Internal Audit plans and the scope of audits and that the Internal Audit Functions have the necessary authority and resources to carry out its work.
- 5.9 Approve the appointment of the Head of Internal Audit.
- 5.10 Review appraisals or assessments of members of the internal audit functions.
- 5.11 Direct any special investigations to be carried out by Internal Audit.

Compliance

- 5.12 Review any related party transaction and conflict of interest situation that may arise within the company or group. In addition, the AC shall review all aspects of the recurrent related party transactions where the considerations, value of the assets, capital outlay or costs thereof, equal or exceed RM1,000,000, and that they are conducted at arm's length basis.

6. Meetings

- 6.1 The Audit Committee shall hold at least four meetings during a financial year.
- 6.2 Upon the request of any member of the AC, the Head of Internal Audit or the External Auditor, the Chairman of the AC shall convene a special meeting of the AC to consider any matters brought up by them.
- 6.3 Meetings shall be attended by members of the Committee and the Company Secretary.
- 6.4 The meetings of the AC shall normally be attended by the Head of Internal Audit and the Management of STHB shall be represented by the Managing Director and the Head of Finance, or their nominated persons, at the invitation of the AC.
- 6.5 The Committee may request other directors, members of management, counsels, internal auditors (including subsidiaries) and external auditors, applicable to participate in Committee meetings, as necessary and when so invited, to carry out the Committee's responsibilities.
- 6.6 At least once a year, the Committee shall meet with the external auditors.

Audit Committee Report *(con'd)*

Activities of the Committee during the year

In line with the term of reference of the Committee, the following activities were carried out by the Committee during the year ended 31st January 2003 in discharge of its functions and duties:

- (a) Review of the audit plans for the year for the Company and the Group;
- (b) Review of the audit reports of the Company and the Group, consideration of the major findings by the auditors and management's responses thereto;
- (c) Review of the quarterly and annual reports of the Company and the Group prior to submission to the Board of Directors for consideration and approval;
- (d) Review the annual revenue and budgets;
- (e) Review of the related party transactions entered into by the Company and the Group;
- (f) Review of pertinent issues and matters that had a significant impact on the results of the group;
- (g) Meet with the external auditors to review their findings and recommendations.

Internal Audit Function

The Group has an Internal Audit Department of which the principal responsibility is to undertake regular and systematic reviews of the system of controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Company and the Group. The attainment of such objective involves the following activities being carried out by the Department:

- (a) Reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls, thus promoting effective control in the Company and the Group at reasonable cost;
- (b) Ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- (c) Ascertaining the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
- (d) Recommending improvements to the existing systems of controls;
- (e) Carrying out investigations and special reviews requested by management;
- (f) Identifying opportunities to improve the operations of and processes in the Company and the Group.

Corporate Governance Statement

The Board of Subur Tiasa Holdings Berhad fully subscribes and supports the Malaysian Code on Corporate Governance (“Code”) and the relevant provisions in the KLSE Listing Requirements. The Board is committed to ensuring that the highest standard of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of the Company.

Corporate Governance within Subur Tiasa Holdings Berhad

Subur Tiasa Holdings Berhad acknowledges that corporate governance is a continuous process that requires periodic reassessment and refinement of management practices and systems.

Set out below is a statement of how the Group has applied the Principles in accordance with Part I of the Code. The Board would also like to state that the Group has complied with all the Best Practices set out in Part II of the Code.

Directors

The Board

An effective Board leads and controls the Group. To ensure that the direction and control of the Group is firmly in its own hands, the Board reserves appropriate strategic, financial and organisational matters for its collective decision and/or monitoring. The Board meets at least 4 times a year, with additional meetings convened as necessary. All non-executive directors bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct. 3 out of 6 members of the Board are considered independent in accordance with the definition provided in the Kuala Lumpur Stock Exchange Listing Requirements.

For the year ended 31 January 2003, 5 Board Meetings were held. The following is the record of attendance of the Board Members:

| Directors | Total |
|---|------------|
| 1 YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai | 5 out of 5 |
| 2 Mr Tiong Kiong King | 4 out of 5 |
| 3 Madam Tiong Ing | 5 out of 5 |
| 4 YBhg. Senator Datuk William Lau Kung Hui | 3 out of 5 |
| 5 YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh | 4 out of 5 |
| 6 Mr Ngu Woo Hieng | 5 out of 5 |
| 7 Mr Tiong Chiong Ie (vacated on 25th February 2003) | 1 out of 5 |

Where appropriate, matters have been delegated to Board Committees, all of which have written constitutions and terms of references. Board Audit Committee, Remuneration Committee and Nomination Committee have been set up and delegated with specific responsibilities to assist the Board in discharging some of its function.

Board Balance

The Board currently has 6 members, comprising of 3 independent non-executive directors (including the Chairman) 2 non-executive director and one executive director. Together, the Directors bring wide business, regulatory, industry and financial experience relevant to the direction of the Group. A brief description of the background of each Director is presented on pages 8 to 10.

Corporate Governance Statement (con'd)

Board Balance (con'd)

There is a clear division of responsibility between the Chairman and the Executive Director to ensure that there is a balance of power and authority. There is also balance in the Board because of the presence of independent non-executive Directors of calibre necessary to carry sufficient weight in Board decisions. Although all the Directors have an equal responsibility for the Group's operations, the role of independent Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interest, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the group conducts its business.

We have appointed YABhg Datuk Patinggi Tan Sri Dr Wong Soon Kai as our Senior Independent Non-Executive Director on 24 June 2002.

Supply of information

Management has a positive responsibility to provide the whole Board with all the information of which it is aware to the discharge of the Board's responsibilities. The Board therefore expects to receive timely advice on all material information about the Group, its operating units, its activities and performance, particularly any significant variances from a planned course of progress. As a general rule, papers on specific subjects are sent to the Board in advance so that time at the Board Meeting can be conserved and used for focused discussion. All directors have the right and duty to make further enquiries where they consider this necessary.

All Directors have access to the advice and services of the Company Secretary and where necessary, may take independent advice at the Group's expense, in the furtherance of their duties.

Appointments to the Board

The Malaysian Code on Corporate Governance endorses, as good practice, a formal procedure for appointments to the Board, with the Nomination Committee making recommendations to the Board.

Board Nomination Committee

| | | |
|------------|---|--|
| Chairman : | YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai | Independent Non-Executive Director |
| Members : | YBhg. Senator Datuk William Lau Kung Hui | Independent Non-Executive Director |
| | Mr Tiong Kiong King | Non-Independent Non-Executive Director |
| | Mr Ngu Woo Hieng | Independent Non-Executive Director |

The Board Nomination Committee will be responsible for:

- Reviewing the Board composition and recommending to the Board, appointments of new directors for Subur Tiasa Holdings Berhad and its subsidiaries and Board Committees;
- Evaluating the effectiveness of the Board, in particular, its required mix of skills and experience, Board Committees and the contributions of each individual director; and
- Reviewing the Chairman's and Executive Director's objectives and goals and the assessment of performance of these persons.

The committee shall consist of not less than 3 members, the majority of whom shall be non-executive.

Directors' Training

As an integral element of the process for appointing new directors, the Board Nomination Committee, provides for adequate orientation of new directors with respect to the business structure and management of the Group as well as the expectations of the Board with regards to their contributions to the Board and Group. Directors also receive further training from time to time, particularly with regards to new laws, regulations and changing commercial risks.

Corporate Governance Statement (contd)

Board Remuneration Committee

| | | |
|-----------|---|--|
| Chairman: | YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai | Independent Non-Executive Director |
| Members: | YBhg. Senator Datuk William Lau Kung Hui | Independent Non-Executive Director |
| | Mr Tiong Kiong King | Non-Independent Non-Executive Director |
| | Mr Ngu Woo Hieng | Independent Non-Executive Director |

The Board Remuneration Committee will be responsible for determining the level and make-up of Executive Directors' remuneration for Subur Tiasa Holdings Berhad and its subsidiaries so as to ensure that the Group attracts and retains the Directors of the necessary calibre, experience and quality needed to run the Group successfully. In formulating the remuneration package, the Remuneration Committee takes into account the responsibility and job functions, remuneration packages of comparable companies in the same industry as well as individual and corporate performance.

Re-election

In accordance with the Company's Articles of Association, all directors are subject to election by shareholders at the first opportunity after their appointment. The Articles provides that at least one-third or the nearest one-third of the remaining directors are subject to re-election by rotation at each Annual General Meeting.

Directors' Remuneration

Details of the remuneration of the Directors for the financial year ended 31st January, 2003 distinguishing between executive and non-executive directors in aggregate with categorization into appropriate components and the number of directors whose remuneration falls into each successive bands of RM50,000 are set out as below:

| Aggregation | Non- Executive Director RM | Executive Director RM |
|--------------------|-------------------------------|--------------------------|
| Salary | - | 300,000 |
| Fees | 84,000 | 15,000 |
| Bonus | - | 150,000 |
| Other remuneration | | |
| - Allowance | 240,000 | - |
| - Passage | - | 50,000 |

| Remuneration | Non- Executive Director | Executive Director |
|-------------------|-------------------------|--------------------|
| Less than 50,000 | 5 | - |
| 50,001 - 100,000 | - | - |
| 100,001 - 150,000 | - | - |
| 150,001 - 200,000 | - | - |
| 200,001 - 250,000 | - | - |
| 250,001 - 300,000 | 1 | 1 |

Corporate Governance Statement (con'd)

Shareholders

Dialogue between the Company and Investors

The Board values dialogue with investors. The aims of the investor relations programme are primarily to provide consistent and accurate information to shareholders and fund managers on the Group and to provide prompt feedback to our senior management on investors' concerns and market perceptions thus, ensuring effectiveness of the information dissemination.

Annual General Meeting

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. The Chairman and its Board members are available to respond to shareholders' questions during the meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

Accountability and Audit

Financial reporting

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Internal Control System involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss. Information on Internal Control is detailed in the Statement on Internal Control on Pages 22 to 23.

Relationship with the auditors

Through the Board Audit Committee, the Group has established transparent and appropriate relationship with the Group's auditors, both external and internal. The Board Audit Committee meets with the external auditors at least once a year.

A report of the Board Audit Committee is provided on pages 12 to 15.

This statement on Corporate Governance is made in accordance with a resolution of the Board of Directors dated 19 June 2003.

Additional Compliance Information

The following information is presented in compliance with the KLSE Listing Requirements:

Share buybacks

During the financial year, the Company did not enter into any share buyback transactions.

Non-audit fee

The non-audit fees paid by the Company and its subsidiaries to the external auditors for the financial year ended 31 January 2003 amounted to RM412,100.

Profit guarantee

During the financial year, there was no profit guarantee given by the Company.

Material contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiary companies involving directors and major shareholders, either subsisting at the end of the financial year ended 31 January 2003 or entered into since the end of the previous financial year.

Recurrent related party transactions

At the Company's Annual General Meeting held on 31 May 2002, the shareholders approved the mandate for the Company and its subsidiary companies to enter into recurrent related party transactions of revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business.

Aggregate value and type of significant related party transactions are indicated on pages 64 to 71 of this Annual Report. At the forthcoming Annual General Meeting to be held on 30 July 2003, the Company will propose a renewal of the shareholders' mandate in respect of existing and new recurrent related party transactions of revenue or trading nature.

Revaluation of landed properties

The Company does not have any revaluation policy on landed properties.

Directors' Interest

as at 30 May 2003

| No. | Name of Director | No of Shares Held | | Total | |
|-----|---|------------------------|-------------------------|--------------|------|
| | | Direct | Indirect | Shareholding | % |
| 1 | YABhg Datuk Patinggi Tan Sri Dr. Wong Soon Kai | 10,000 | - | 10,000 | 0.01 |
| 2 | YBhg Senator Datuk William Lau Kung Hui | 10,000 | - | 10,000 | 0.01 |
| 3 | Ngu Woo Hieng | - | - | - | - |
| 4 | YBhg Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh | 300,000 ^a | 16,130,983 ^c | 16,430,983 | 8.22 |
| 5 | Tiong Kiong King | 1,122,404 ^b | - | 1,122,404 | 0.56 |
| 6 | Tiong Ing (f) | 303,056 | - | 303,056 | 0.15 |

Notes:

- a Held through Public Nominees (Tempatan) Sdn. Bhd.
- b 1,111,289 shares is held through AMSEC Nominees (Tempatan) Sdn. Bhd.
- c Deemed interested by virtue of his substantial shareholding in Kinta Hijau Sdn. Bhd.



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. Kuala Lumpur Stock Exchange's ('KLSE') Listing Requirements require directors of listed companies to include a statement in annual reports on the state of their internal controls. KLSE's Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Guidance') provides guidance for compliance with these requirements. The Board of Directors of Subur Tiasa Holdings Berhad ('STHB') is pleased to present this Statement on Internal Control, which has been prepared in accordance with the Guidance.

Responsibility

The Board acknowledges its responsibilities for the Group's system of internal controls and risk management practices covering all aspects of the Group's operations. The Board also recognises its responsibility for reviewing the adequacy and integrity of those systems. While acknowledging their responsibility for the system of internal controls, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system could provide only reasonable, and not absolute, assurance against material misstatement or loss.

Risk management and internal control

Risk management practices and internal controls are embedded in the daily operations of the Group.

Albeit not in a formalised manner, as part of an ongoing process, the senior management and key Executives Directors on the Board carried out certain reviews of the adequacy and integrity of the system of internal control.

In addition, senior management of the Group appraises significant risks affecting the achievement of the Group's business objectives on an ongoing basis, and considers the appropriateness of controls having regards to cost/benefit, materiality and the likelihood of the crystallisation of risks.

Furthermore, the Internal Audit Department ('IAD') reviews the internal control system of the Group in managing key areas of operation and reports directly to the Audit Committee on quarterly basis. This provides independence assurance regarding the adequacy and effectiveness of the internal control system. In carrying out its work, IAD focuses on areas of priority as determined by risk assessment and in accordance with the annual Audit Plan approved by the Audit Committee. Significant weaknesses, if any, identified by IAD during the reviews are reported, appropriate measures are recommended for implementation by management to ratify those weaknesses found.

In addition to the above, the Group recognised that an important element for a sound system of internal controls is to have in place a risk management framework to identify and assess the significant risks to the existing areas of business of the Group and to implement appropriate controls to manage such risks.

Towards this end, during the year, the Board had engaged external advisers to advise as well as to assist in the development and assessment of a formalised risk management framework.

In addition, the Board has reviewed the inventory of the internal controls framework that currently exists within the Group and assessed the applicability of the existing controls with regards to their effectiveness and efficiency, facilitated by the workshops that were attended by key directors and management of STHB and its subsidiary companies. At the same workshop, key risks and controls of STHB were also discussed and confirmed.

This assessment takes into account all significant aspects of internal control including risk assessment, the control environment and control activities, information and communication. Key business risks have been categorised to highlight the source of the risk, and scored to reflect both the financial and reputation impact of the risk and the likelihood of its occurrence.

Statement on Internal Control *(con'd)*

Risk management and internal control *(con'd)*

The Board now plans to develop a monitoring and reporting process to continuously identify, evaluate and monitor the significant risks in a formalised manner, which would include establishing procedures for reporting and monitoring of significant risks affecting the achievement of its business objectives.

The Group is committed to ensure that proper control environment is maintained. Emphasis is placed on enhancing the quality and capabilities of the Group's employees with continuing education, training and development through in- house training and external courses or seminars.

Other key elements of internal control

The other key elements of the Group's internal control system that are proposed or are now in place are as detailed below:

- Proposed annual assessment of the effectiveness of the individual directors by STHB's Nomination Committee and the director's remuneration by STHB's Remuneration Committee.
- Process governing appraisal and approval of capital/investment expenditure and asset disposal.
- Regular meetings are held at operational and management levels to identify and resolve business as well as operational issues.
- Budgets, containing financial and operating targets and performance indicators, are reviewed and approved by the Executive Director and subsequently by the Board of STHB.
- Performance reports are regularly provided to directors and discussed at Board meetings, covering areas such as quarterly financial review, monitoring of results against budget, as well as any relevant corporate matters.

Control weaknesses that result in material losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board and the management will continue to take active measures to strengthen the control environment taking into account of the changes in the external and internal environment of the Group.

This statement on Internal Control is made in accordance with a resolution of the Board of Directors dated 19 June 2003.

Statement of Directors' Responsibility

In respect of the 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 affairs of the Company and the Group at the end of the financial year, the profit and loss and cash flows of the Company and the Group for the financial year.

In preparing those statements, the directors have:

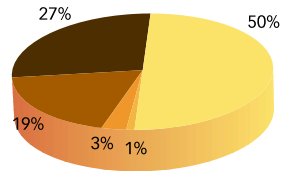
- adopted suitable accounting policies and then apply them consistently,
- made judgements and estimates that are prudent and reasonable,
- ensure applicable accounting standards have been followed, and
- prepared the financial statements on the going concern basis as the directors have reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The directors hereby confirm that suitable accounting policies have been consistently applied in respect of the preparation of the financial statements and that the company maintains adequate accounting records. Sufficient internal controls are also in place to safeguard the assets of the Group and the Company and to prevent as well as to detect fraud and other irregularities.

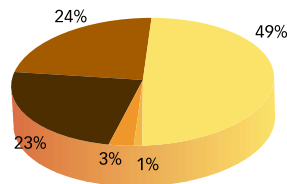
This statement of Directors' Responsibility is made in accordance with a resolution of the Board of Directors dated 19 June 2003.

Financial Highlights

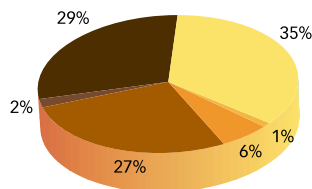
Export volume in % for last 3 financial years



2003

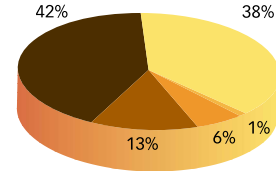


2002

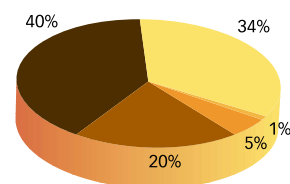


2001

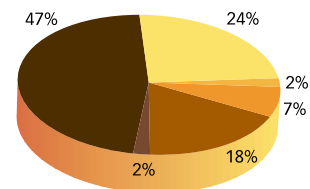
Export value in % for last 3 financial years



2003



2002



2001



Group Financial Highlights

| (RM'000) | 2003 | 2002 | 2001 | 2000 |
|------------------------------------|---------|----------|---------|---------|
| Revenue | 370,979 | 320,825 | 308,353 | 266,059 |
| Profit/(Loss) Before Taxation | 46,121 | (20,033) | 31,518 | 49,072 |
| Profit/(Loss) After Tax | 37,195 | (20,005) | 28,139 | 45,933 |
| Shareholders' Funds | 343,092 | 297,073 | 322,156 | 305,094 |
| Net Earning/(Loss) Per Share (Sen) | 18.60 | (10.00) | 14.07 | 22.97 |
| Return on Shareholders' Funds (%) | 10.84 | (6.73) | 8.73 | 15.05 |
| Net Tangible Assets Per Share (RM) | 1.70 | 1.46 | 1.58 | 1.48 |

Export Market Highlights



Chairman's Statement



On behalf of the board of directors, it is my great pleasure to present to you the annual report and financial statements of Subur Tiasa Holdings Berhad for the year ended 31 January 2003

Financial Performance

The year under review saw a significant improvement in the financial performance of the group on the back of stronger timber prices. The Group achieved a turnover of RM370.97 million, an increase of 15.6% as compared to RM320.83 million in the previous year. Better overall selling prices and higher volumes of plywood and sawn timber contributed to the higher turnover.

As a result, the Group recorded a gross profit before tax of RM46.12 million, a marked improvement over last year's loss before tax of RM20.03 million. It represents a significant turnaround compared to previous year's loss situation.

The shareholders' funds rose by RM46.02 million from RM297.07 million last year to RM343.09 million. Net tangible asset backing per share also increased from RM 1.46 last year to RM 1.70. In addition, the earnings per share improved from negative 10.00 sen per share last year to 18.60 sen.

Operations Review

An integral part of the Group's business strategy is to expand its resources base. The completion of the acquisition of Sarawak Plywood (M) Sdn Bhd in the last quarter of the year under review will provide access to 218,411 acres of timber concession area. It will further enhance the Group in terms of securing long-term supply of raw materials and also its future earnings base.

Logs trading experienced an improvement in selling prices due to several factors. One of the key factor was the implementation of the permanent ban on export of logs in Indonesia effective from April 2002. The logs export ban coupled with the policies adopted by the Indonesian government to ensure a more sustainable management of its timber resources have assisted in stabilizing the oversupply situation and in turn provided much needed stability in logs prices. Our key export markets for logs continue to be India, Japan and Taiwan.

The downstream processing activities have also benefited from the adoption of a more sustainable forest management policies in Indonesia particularly the plywood and sawn timber activities. Plywood and sawn timber prices also enjoyed improvement in its selling prices from the stabilization of the oversupply situation in Indonesia, a major tropical timber producer.

The Group has continued its marketing efforts to diversify from the Japanese plywood market which is still suffering from malaise in its economy for over a decade. However, the Group continues to maintain a presence in the Japanese plywood market in anticipation of any potential upturn in market conditions.

In view of better plywood prices, the Group has taken the opportunity to invest in new technology in its plywood and sawmill operations to improve recovery and hence reduce further production cost to better compete against other producers in the international market. Cost efficiency is a critical factor in remaining competitive in a commodity-based product.

Prospects

The Iraq war has dampened the demand and prices of timber products around the world by creating geopolitical uncertainties in the Middle East region. Despite the conclusion of the Iraq war, the timber market has been slow to improve in line with the worldwide economies.

Market conditions were complicated by the outbreak of Severe Acute Respiratory Syndrome ('SARS') in March 2003. The SARS outbreak is expected to impact negatively on many Asian countries economic growth rates. A slowdown in the Far East economies will also have a reverberating effect on the economic growth in United States and Europe in the current global economy environment.

In view of the development of such adverse conditions, year 2003 is likely to be another challenging year for the timber industry. Timber prices have eased in the last quarter reflective of a softening timber market.

It is anticipated that the economic growth in China and India, which are the region's economic powerhouse will provide the necessary economic impetus as the SARS situation stabilizes. The oversupply situation in Indonesia appears to be under control, which will provide a platform for price stability upon resumption of normal economic activities after SARS.

The Group believes it is well poised to meet any challenges that may lie in the future after embarking on a comprehensive modernization plan in its downstream processing activities. Investment in new technologies is of paramount importance in surviving in an ever increasing competitive operating environment.

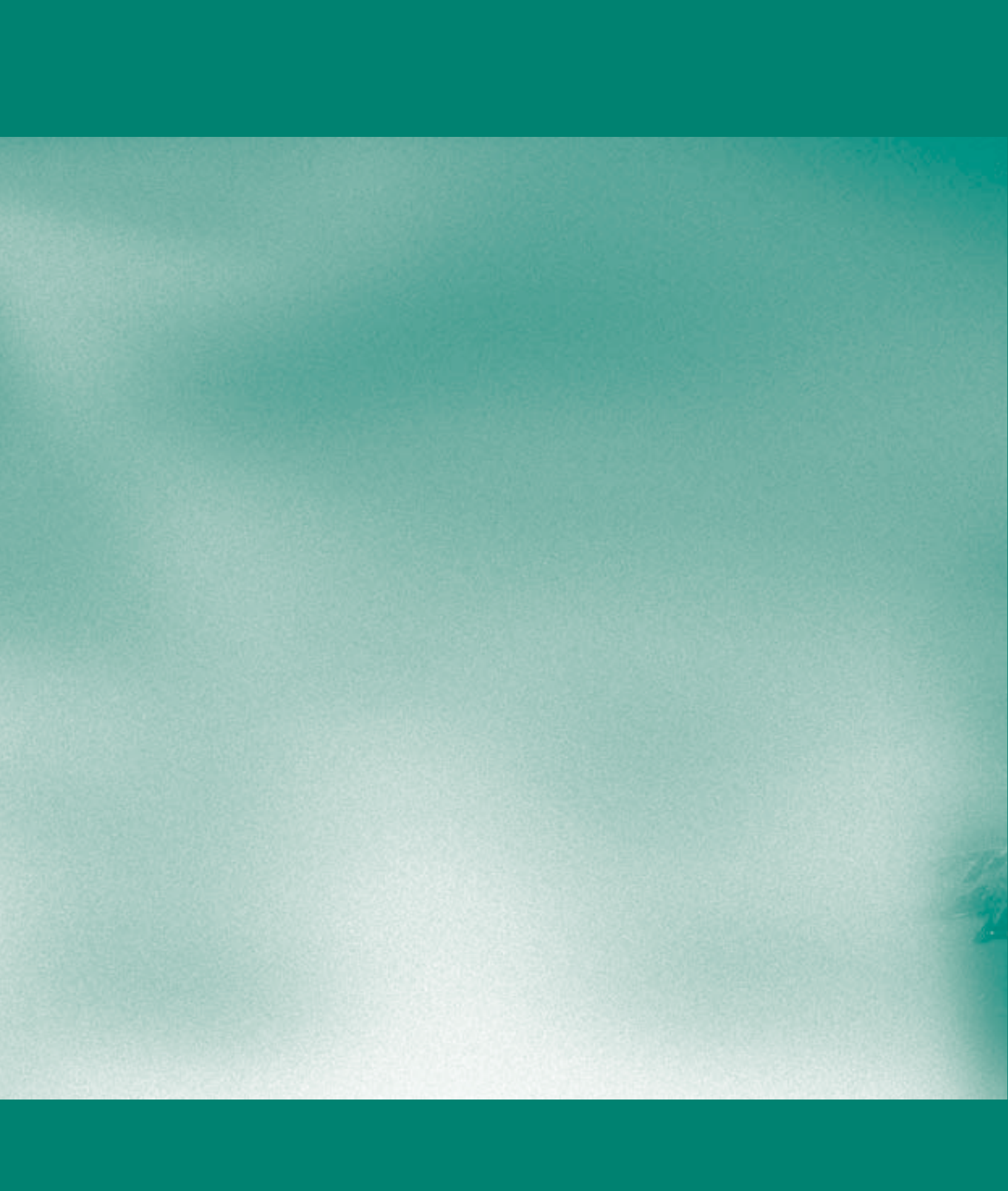
Dividends

With the duration of the Iraq war uncertainty, the Board felt it is appropriate and prudent not to declare an interim or final dividend for the year ended 31 January 2003. However, with the quick conclusion of the Iraq war, the Board has declared an interim dividend of 5% per share on 19 June 2003 for the financial year ending 31 July 2004 in appreciation of the support of our shareholders.

Appreciation

On behalf of the Board of Directors, I like to take this opportunity to express our heartfelt thanks and appreciation to the Management and Staff of the Group whose hard work, commitment and dedication have contributed immensely in turning around the temporary setback suffered in the previous financial year. Furthermore, I would also like to express our sincere thanks to our customers, bankers, business partners, relevant government authorities and shareholders for their continued invaluable support.

YABhg Datuk Patinggi Tan Sri Dr Wong Soon Kai
Chairman





financial statement

| | |
|---|----|
| Directors' Report | 30 |
| Statement by Directors | 34 |
| Statutory Declaration | 34 |
| Report of the Auditors | 35 |
| Income Statements | 36 |
| Balance Sheets | 37 |
| Consolidated Statement of Changes in Equity | 38 |
| Company Statement of Changes in Equity | 39 |
| Cash Flow Statements | 40 |
| Notes to the Financial Statements | 42 |

Directors' Report

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 January 2003.

Principal activities

The principal activities of the Company are that of investment holding, extraction and sale of logs.

The principal activities of the Group consist of extraction and sale of logs, manufacturing and trading of plywood, veneer, raw and laminated particleboard, sawn timber and finger joint moulding and supply of energy.

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

Financial results

| | Group RM | Company RM |
|-----------------------------------|-------------|---------------|
| Net profit for the financial year | 37,194,546 | 6,286,288 |

Dividends

No dividend has been paid or declared by the Company since 31 January 2002.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 January 2003.

Reserves and provisions

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

Directors' Report (con'd)

Directors

The Directors who have held office during the period since the date of the last report are as follows:

YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai

Tiong Kiong King

Tiong Ing

YBhg. Senator Datuk William Lau Kung Hui

YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh

Ngu Woo Hieng

Tiong Chiong Ie (vacated on 25 February 2003)

In accordance with the Company's Articles of Association, YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh and Tiong Kiong King retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai retires pursuant to Section 129(2) of the Companies Act 1965. His re-appointment to hold office until the next Annual General Meeting of the Company will be proposed at the forthcoming Annual General Meeting.

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits arising from transactions as disclosed in Note 25 to the financial statements.

Directors' Report (con'd)

Directors' interests in shares

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

| | Number of ordinary shares of RM1 each | | | |
|--|---------------------------------------|---------|------|-----------------|
| | At 1.2.2002 | Bought | Sold | At 31.1.2003 |
| Direct interest | | | | |
| YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai | 10,000 | - | - | 10,000 |
| YBhg. Senator Datuk William Lau Kung Hui | 10,000 | - | - | 10,000 |
| YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh (held through Public Nominees (Tempatan) Sdn. Bhd.) | 300,000 | - | - | 300,000 |
| Tiong Kiong King | 11,115 | - | - | 11,115 |
| Tiong Kiong King (held through AMSEC Nominees (Tempatan) Sdn. Bhd.) | 1,108,289 | 1,000 | - | 1,109,289 |
| Tiong Ing | 99,056 | 204,000 | - | 303,056 |
| Indirect interest | | | | |
| YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh | 16,130,983 | - | - | 16,130,983 |
| Tiong Chiong le | 620,310 | - | - | 620,310 |

Statutory information on the financial statements

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company have been written down to an amount which they might be expected so to realise.

Directors' Report *(con'd)*

Statutory information on the financial statements *(con'd)*

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the year in which this report is made.

Auditors

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 May 2003.

**TIONG ING
DIRECTOR**

**TIONG KIONG KING
DIRECTOR**

Sibu

Statement By Directors

pursuant to Section 169(15) of the Companies Act 1965

We, Tiong Ing and Tiong Kiong King, two of the Directors of Subur Tiasa Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 36 to 77 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 January 2003 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 May 2003.

TIONG ING
DIRECTOR

TIONG KIONG KING
DIRECTOR

Sibu

Statutory Declaration

pursuant to Section 169(16) of the Companies Act 1965

I, Tiong Ing, the Director primarily responsible for the financial management of Subur Tiasa Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 77 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.

TIONG ING

Subscribed and solemnly declared by the abovenamed Tiong Ing at Sibu, Sarawak on 23 May 2003, before me.

COMMISSIONER FOR OATHS

Report of the Auditors

to the members of Subur Tiasa Holdings Berhad (Company No. 341792-W)

We have audited the financial statements set out on pages 36 to 77. 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 conducted our audit in accordance with approved auditing standards in Malaysia. Those standards required 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared 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 matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and Company as at 31 January 2003 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries have been properly kept in accordance with the provisions of the Act.

The name of the subsidiary of which we have not acted as auditors is indicated in Note 13 to the financial statements. We have considered the financial statements of this subsidiary and the auditors' report thereon.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of Section 174 of the Act.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

LEE YOKE KHAI

(No. 1589/08/03 (J))

Partner of the firm

Kuching

23 May 2003

Income Statements

for the Financial Year ended 31 January 2003

| | Note | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---|------|---------------|---------------------|---------------|-----------------------|
| Revenue | 5 | 370,979,012 | 320,824,919 | 235,523,181 | 201,823,081 |
| Cost of sales | | (262,409,146) | (273,803,896) | (171,788,316) | (177,615,667) |
| Gross profit | | 108,569,866 | 47,021,023 | 63,734,865 | 24,207,414 |
| Other operating income | | 1,845,958 | 1,295,307 | 127,785 | 10,684 |
| Selling and distribution expenses | | (30,762,475) | (32,440,309) | (15,806,822) | (15,198,038) |
| Administrative expenses | | (16,336,814) | (13,184,774) | (8,755,227) | (3,995,516) |
| Other operating expenses | | (10,330,927) | (16,299,906) | (17,210,929) | (16,538,973) |
| Profit/(loss) from operations | 6 | 52,985,608 | (13,608,659) | 22,089,672 | (11,514,429) |
| Finance cost | 7 | (6,864,623) | (6,424,278) | (6,444,384) | (6,150,000) |
| Profit/(loss) from ordinary activities before tax | | 46,120,985 | (20,032,937) | 15,645,288 | (17,664,429) |
| Tax | 8 | (8,926,439) | 27,508 | (9,359,000) | 67,108 |
| Net profit/(loss) for the financial year | | 37,194,546 | (20,005,429) | 6,286,288 | (17,597,321) |
| Earnings/(loss) per share (sen) | | | | | |
| - basic | 9 | 18.60 | (10.00) | | |
| - diluted | | N/A | N/A | | |

Balance Sheets

as at 31 January 2003

| | Note | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---|------|-------------|---------------------|--------------|-----------------------|
| Non current assets | | | | | |
| Property, plant and equipment | 11 | 191,568,645 | 169,809,212 | 28,770,363 | 19,486,620 |
| Subsidiaries | 13 | - | - | 169,567,841 | 147,021,237 |
| Rights in timber licences | 14 | 169,957,623 | 154,575,352 | 140,852,084 | 154,575,352 |
| Goodwill on consolidation | 15 | 3,847,622 | 4,809,528 | - | - |
| Long term receivable | 16 | 25,213,086 | 27,537,754 | 25,213,086 | 27,537,754 |
| | | 390,586,976 | 356,731,846 | 364,403,374 | 348,620,963 |
| Current assets | | | | | |
| Inventories | 17 | 60,224,214 | 60,806,891 | 7,671,445 | 10,455,834 |
| Trade and other receivables | 18 | 30,450,069 | 32,941,933 | 14,589,730 | 19,186,234 |
| Amounts due from subsidiaries | 19 | - | - | 16,108,696 | 42,266,815 |
| Tax recoverable | | 2,903,057 | 4,845,545 | 329,041 | 2,479,041 |
| Deposits, bank and cash balances | 20 | 37,823,274 | 26,487,895 | 8,065,767 | 9,655,214 |
| | | 131,400,614 | 125,082,264 | 46,764,679 | 84,043,138 |
| Current liabilities | | | | | |
| Trade and other payables | 21 | 65,739,467 | 84,731,833 | 24,719,283 | 47,767,619 |
| Amount due to a subsidiary | 19 | - | - | 27,400,000 | 33,000,000 |
| Tax liabilities | | - | 9,125 | - | - |
| Term loans (unsecured and interest bearing) | 22 | 8,000,000 | 30,000,000 | 8,000,000 | 30,000,000 |
| | | 73,739,467 | 114,740,958 | 60,119,283 | 110,767,619 |
| Net current assets/(liabilities) | | | | | |
| | | 57,661,147 | 10,341,306 | (13,354,604) | (26,724,481) |
| | | 448,248,123 | 367,073,152 | 351,048,770 | 321,896,482 |
| Capital and reserves | | | | | |
| Share capital | 24 | 200,000,000 | 200,000,000 | 200,000,000 | 200,000,000 |
| Share premium | | 59,679,744 | 59,679,744 | 59,679,744 | 59,679,744 |
| Reserve on consolidation | 15 | 34,210,685 | 25,386,306 | - | - |
| Retained earnings/(accumulated losses) | | 49,201,648 | 12,007,102 | (1,496,974) | (7,783,262) |
| | | 343,092,077 | 297,073,152 | 258,182,770 | 251,896,482 |
| Non current liabilities | | | | | |
| Deferred tax liabilities | 23 | 866,000 | - | 866,000 | - |
| Term loans (unsecured and interest bearing) | 22 | 104,290,046 | 70,000,000 | 92,000,000 | 70,000,000 |
| | | 105,156,046 | 70,000,000 | 92,866,000 | 70,000,000 |
| | | 448,248,123 | 367,073,152 | 351,048,770 | 321,896,482 |

Consolidated Statement of Changes in Equity

for the Financial Year ended 31 January 2003

| | Note | Number of shares | Issued and fully paid ordinary shares of RM1 each Nominal value RM | Non distributable Share premium RM | Distributable Retained earnings RM | Total RM |
|-----------------------------------|------|---------------------|--|--|---|--------------|
| At 1 February 2001 | | 200,000,000 | 200,000,000 | 59,679,744 | 32,012,531 | 291,692,275 |
| Net loss for the financial year | | - | - | - | (20,005,429) | (20,005,429) |
| At 31 January 2002 | | 200,000,000 | 200,000,000 | 59,679,744 | 12,007,102 | 271,686,846 |
| At 1 February 2002 | | 200,000,000 | 200,000,000 | 59,679,744 | 12,007,102 | 271,686,846 |
| Net profit for the financial year | | - | - | - | 37,194,546 | 37,194,546 |
| At 31 January 2003 | | 200,000,000 | 200,000,000 | 59,679,744 | 49,201,648 | 308,881,392 |

Company Statement of Changes in Equity

for the Financial Year ended 31 January 2003

| | Number of shares | Issued and fully paid ordinary shares of RM1 each Nominal value RM | Non distributable Share premium RM | Accumulated losses RM | Total RM |
|-----------------------------------|---------------------|--|--|-----------------------------|--------------|
| At 1 February 2001 | 200,000,000 | 200,000,000 | 59,679,744 | 9,814,059 | 269,493,803 |
| Net loss for the financial year | - | - | - | (17,597,321) | (17,597,321) |
| At 31 January 2002 | 200,000,000 | 200,000,000 | 59,679,744 | (7,783,262) | 251,896,482 |
| At 1 February 2002 | 200,000,000 | 200,000,000 | 59,679,744 | (7,783,262) | 251,896,482 |
| Net profit for the financial year | - | - | - | 6,286,288 | 6,286,288 |
| At 31 January 2003 | 200,000,000 | 200,000,000 | 59,679,744 | (1,496,974) | 258,182,770 |

Cash Flow Statements

for the Financial Year ended 31 January 2003

| | Note | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--|------|--------------|---------------------|--------------|-----------------------|
| Operating activities | | | | | |
| Net profit/(loss) for the financial year | | 37,194,546 | (20,005,429) | 6,286,288 | (17,597,321) |
| Adjustments for: | | | | | |
| Amortisation of reserve on consolidation | | (5,194,083) | (5,077,260) | - | - |
| Amortisation of goodwill on consolidation | | 961,906 | 1,165,828 | - | - |
| Amortisation of timber rights | | 14,054,013 | 12,538,973 | 13,723,268 | 12,538,973 |
| Goodwill written off | | - | 1,019,620 | - | - |
| Depreciation of property, plant and equipment | | 20,394,141 | 18,710,658 | 1,266,667 | 279,618 |
| Property, plant and equipment written off | | 148,056 | 997,070 | 146,083 | - |
| Impairment loss | | 469,651 | - | - | - |
| Net (gain)/loss on disposal of property, plant and equipment | | (31,945) | (38,792) | (3,325) | 7,266 |
| Interest expenses | | 6,864,623 | 6,424,278 | 6,444,384 | 6,150,000 |
| Interest income | | (1,115,473) | (818,036) | (413,925) | (175,451) |
| Tax | | 8,926,439 | (27,508) | 9,359,000 | (67,108) |
| | | 82,671,874 | 14,889,402 | 36,808,440 | 1,135,977 |
| Changes in working capital: | | | | | |
| Inventories | | 2,124,791 | (16,043,122) | 2,784,389 | (4,891,293) |
| Trade and other receivables | | 12,266,883 | (34,954,991) | 6,611,201 | (39,360,965) |
| Trade and other payables | | (33,861,879) | 42,465,920 | (23,119,777) | 22,020,682 |
| Amounts due from subsidiaries | | - | - | 25,434,312 | 22,935,019 |
| | | 63,201,669 | 6,357,209 | 48,518,565 | 1,839,420 |
| Interest paid | | (6,864,623) | (6,424,278) | (6,444,384) | (6,150,000) |
| Interest received | | 1,071,912 | 818,036 | 399,337 | 175,451 |
| Tax paid | | (5,854,901) | (3,403,846) | (5,619,193) | (2,963,284) |
| Net cash flow from operating activities | | 51,554,057 | (2,652,879) | 36,854,325 | (7,098,413) |

Cash Flow Statements for the Financial Year ended 31 January 2003 (con'd)

| | Note | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---|------|-------------------|---------------------|--------------------|-----------------------|
| Investing activities | | | | | |
| Purchase of property, plant and equipment | | (39,337,803) | (18,439,527) | (10,629,257) | (9,109,161) |
| Proceeds from disposal of property, plant and equipment | | 33,487 | - | 7,529 | - |
| Acquisition of subsidiary | 12 | (13,204,408) | - | (22,222,044) | - |
| Net cash flow from investing activities | | (52,508,724) | (18,439,527) | (32,843,772) | (9,109,161) |
| Financing activities | | | | | |
| Repayment to subsidiary | | - | - | (5,600,000) | (8,836,202) |
| Dividends paid to shareholders | | - | (6,000,000) | - | (6,000,000) |
| Proceeds from term loan | | 12,290,046 | - | - | - |
| Proceeds from bankers' acceptances | | - | 23,800,000 | - | - |
| Repayment of bankers' acceptances | | - | (39,800,000) | - | - |
| Net cash flow from financing activities | | 12,290,046 | (22,000,000) | (5,600,000) | (14,836,202) |
| Net change in cash and cash equivalents | | 11,335,379 | (43,092,406) | (1,589,447) | (31,043,776) |
| Cash and cash equivalents at beginning of the financial year | | 26,487,895 | 69,580,301 | 9,655,214 | 40,698,990 |
| Cash and cash equivalents at end of the financial year | 20 | 37,823,274 | 26,487,895 | 8,065,767 | 9,655,214 |

Notes to the Financial Statements

1 General information

The principal activities of the Company are that of investment holding, extraction and sale of logs.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Kuala Lumpur Stock Exchange.

The address of the registered office and the principal place of business of the Company is as follows:

No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C. D. T. 123, 96000 Sibu, Sarawak, Malaysia

The number of employees at the end of the financial year were 1,918 (2002: 1,666) employees in the Group and 152 (2002: 57) employees in the Company.

2 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 the individual policy statements in Note 4 to the financial statements.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965. The new applicable approved accounting standards adopted in these financial statements are as follows:

- MASB Standard 19 "Events After the Balance Sheet Date"
- MASB Standard 20 "Provisions, Contingent Liabilities and Contingent Assets"
- MASB Standard 22 "Segment Reporting"

There are no changes in accounting policy that affect net profit for the financial year as a result of the adoption of the above standards in these financial statements as the Group was already following the recognition and measurement principles in those standards.

The other new applicable accounting standards adopted in the financial statements as at follows:

MASB Standard 21 "Business Combinations"

The Group has taken advantage of the exemption provided to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 February 2002 have not been restated to comply with this Standard.

MASB Standard 23 "Impairment of Assets"

This standard does not allow retrospective application. The impact of applying this standard in the current financial year is set out in Note 10.

Notes to the Financial Statements

2 Basis of preparation (con'd)

MASB Standard 24 "Financial Instruments: Disclosure and Presentation"

The Group has taken advantage of the exemption provided to apply this Standard prospectively. Accordingly, the following presentation and disclosures have been adopted in these financial statements:

Classification of non-compound instruments

The liability and equity classification of non-compound instruments (together with the classification of the associated interest, dividends or other distributions) has been applied in accordance with this Standard as of 1 February 2002. No adjustments have been made to classifications adopted in the comparative period.

Disclosures

Comparatives are not disclosed upon first application of MASB Standard 24, as permitted by the Standard.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

3 Financial risk management objectives and policies

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's overall financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign currency, interest, liquidity and credit risks. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Group's financial risk management policies.

The Group uses derivative financial instrument on a short term basis such as forward foreign exchange contracts to hedge on confirmed receipts and payments of business transactions when it is deemed necessary. It does not engage in speculative transactions.

(i) Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions, mainly in United States Dollar, Japanese Yen and Euro Dollar. The Group enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receipts and payments, when it is deemed necessary.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate borrowings.

Notes to the Financial Statements

3 Financial risk management objectives and policies *(con'd)*

(iii) Credit risk

The Group seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

(iv) Liquidity and cash flow 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. Its overall prudent liquidity risk management is to maintain sufficient levels of cash to meet its working capital requirements and maintain flexibility in funding by keeping committed credit lines available.

4 Summary of significant accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Group accounting

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

The difference between the fair value of the purchase consideration and the fair value of the identifiable net assets of subsidiaries at the date of acquisition, is treated as goodwill or reserve on consolidation.

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of their identifiable net assets at the date of the acquisition. Goodwill is amortised using the straight line method over its estimated useful life, which is ten years. When an indication of impairment exists, the carrying amount of the goodwill is assessed and written down immediately to its recoverable amount.

Notes to the Financial Statements

4 Summary of significant accounting policies (con'd)

(a) Group accounting (con'd)

(i) Subsidiaries (con'd)

Reserves on consolidation, or negative goodwill, represents the excess of the fair value of the Group's share of identifiable net assets acquired over the cost of acquisition and is credited to reserves in the year of acquisition. Reserve on consolidation is amortised using the straight line method over its estimated useful life, which is ten years.

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

(ii) Transaction costs

External costs directly attributable to an acquisition, other than costs of issuing shares and other capital instruments, is included as part of the cost of acquisition.

(b) Property, plant and equipment

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

Capital work-in-progress is not depreciated until they are put into use. Depreciation on the other property, plant and equipment is provided for on the straight-line basis to write off the cost of the property, plant and equipment over their estimated useful lives at the following annual rates:

| | |
|--|---------------|
| Long leasehold land | 60 years |
| Short leasehold land | 26 - 31 years |
| Buildings | 2% - 10% |
| Watercrafts, tractors, trucks and motor vehicles | 10% - 25% |
| Plant and machinery | 7.5% - 20% |
| Infrastructure facilities | 5% - 10% |
| Furniture, fittings and equipment | 5% - 20% |
| Computer hardware and software | 10% - 20% |

When an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

(c) Investments

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

Notes to the Financial Statements

4 Summary of significant accounting policies (con'd)

(d) Intangible assets

Rights in timber licences

Rights in timber licences are expenditure incurred in respect of acquisition of timber licences and are amortised on a straight-line basis over the remaining tenure of the licence periods, which ranged between 7 and 15 years.

Goodwill on consolidation

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Capitalised goodwill is amortised using the straight line method over a period of ten years. When an indication of impairment exists, the carrying amount of the goodwill is assessed and written down immediately to its recoverable amount.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials and general stores is determined using the weighted average method. The cost of finished goods and work-in-progress comprises direct materials, labour costs and production overheads based on normal level of activity. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(f) Receivables

All known bad debts in respect of trade receivables are written off or fully provided for.

(g) Deferred taxation

Deferred taxation is provided on the liability method in respect of timing differences between accounting and taxable profits. Debit balances in the deferred taxation account are not recognised unless there is reasonable certainty of their realisation in the foreseeable future.

(h) Foreign currencies

Foreign currency transactions are accounted for at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

Notes to the Financial Statements

4 Summary of significant accounting policies (con'd)

(h) Foreign currencies (con'd)

The principal closing rates used in translation of foreign currency amounts are as follows:

| <u>Foreign currency</u> | 31.01.2003 | 31.01.2002 |
|-------------------------|------------|------------|
| | RM | RM |
| 1 US Dollar | 3.800 | 3.800 |
| 1 Euro | 4.123 | - |
| 100 Japanese Yen | 3.240 | 2.860 |

(i) Leases

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

(j) Revenue recognition

Revenue are recognised upon delivery of goods or transmission of electricity. Interest income is recognised on an accrual basis.

(k) Financial instruments

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(ii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instrument that comprises foreign currency forward contracts. These instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

Notes to the Financial Statements

4 Summary of significant accounting policies (con'd)

(k) Financial instruments (con'd)

(ii) Financial instruments not recognised on the balance sheet (con'd)

All other exchange gains and losses relating to hedge instruments are recognized in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses on contracts which are no longer designated as hedges are included in the income statement.

(iii) Fair value estimation for disclosure purposes

The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance sheet date.

The fair values of financial assets and liabilities are estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

(l) Cash and cash equivalents

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

5 Revenue

| | 2003 RM | 2002 RM |
|--|-------------|-------------|
| Group | | |
| Sale of logs | 164,107,045 | 135,878,224 |
| Sale of plywood | 140,087,456 | 111,932,566 |
| Sale of veneer | - | 29,646 |
| Sale of raw and laminated particleboard | 45,561,214 | 54,167,194 |
| Sale of sawn timber, finger joint moulding and by-products | 20,490,664 | 18,018,160 |
| Supply of energy and electricity | 732,633 | 799,129 |
| | 370,979,012 | 320,824,919 |
| Company | | |
| Sale of logs | 234,891,778 | 201,647,630 |
| Sale of waste wood | 217,478 | - |
| Interest income | 413,925 | 175,451 |
| | 235,523,181 | 201,823,081 |

Notes to the Financial Statements

6 Profit/(loss) from operations

Profit/(loss) from operations is arrived at after charging/(crediting) the following items:

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--|-------------|---------------------|-------------|-----------------------|
| Auditors' remuneration | | | | |
| - current financial year | 81,615 | 86,000 | 22,000 | 22,000 |
| - under/(over) provision in prior financial year | 4,000 | 5,000 | 3,000 | 2,000 |
| Amortisation of goodwill on consolidation | 961,906 | 1,165,828 | - | - |
| Amortisation of timber rights | 14,054,013 | 12,538,973 | 13,723,268 | 12,538,973 |
| Cost of inventories recognized as an expenses | 259,399,638 | 272,112,140 | 171,788,316 | 177,615,667 |
| Depreciation of property, plant and equipment | 20,394,141 | 18,710,658 | 1,266,667 | 279,618 |
| Directors' remuneration | | | | |
| - fees | 115,100 | 78,250 | 108,600 | 75,250 |
| - other emoluments | 798,960 | 763,856 | 794,000 | 763,856 |
| Goodwill on consolidation written off | - | 1,019,620 | - | - |
| Hiring charges | 42,640 | 43,940 | - | - |
| Property, plant and equipment written off | 148,056 | 997,070 | 146,083 | - |
| Impairment loss included within other operating expenses (Note 10) | 469,651 | - | - | - |
| Management fee | 12,000 | - | - | - |
| Net realised foreign exchange loss | 13,577 | 43,815 | 13,577 | 42,723 |
| Allowance for doubtful debts | 25,176 | - | 3,487,661 | 4,000,000 |
| Inventory writedown | - | 1,383,422 | - | - |
| Rental of | | | | |
| - buildings | 57,410 | 100,680 | 1,750 | 4,700 |
| - land | 96,600 | 103,600 | - | 7,000 |
| - watercrafts | 46,037 | 116,635 | 46,037 | 116,635 |
| - tools and equipment | 114,920 | 5,479 | 3,770 | 3,679 |
| - vehicles | 2,718 | 4,495 | 90 | 2,775 |
| Staff cost (excluding Directors' remuneration) | 21,865,723 | 18,804,377 | 3,552,899 | 1,207,485 |
| Contract termination costs * | - | 5,001,003 | - | - |

Notes to the Financial Statements

6 Profit/(loss) from operations (con'd)

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--|-------------|---------------------|------------|-----------------------|
| and crediting: | | | | |
| Bad debts recovered | (9,292) | (5,000) | - | - |
| Amortisation of reserve on consolidation | (5,194,083) | (5,077,260) | - | - |
| Interest income | | | | |
| - deposits | (1,115,473) | (814,296) | (413,925) | (175,451) |
| - others | - | (3,740) | - | - |
| Net realised foreign exchange gain | (140,887) | (37,336) | - | - |
| Net (gain)/loss on disposal of property, plant and equipment | (31,945) | (38,792) | (3,325) | 7,266 |
| Rental income | | | | |
| - building | (115,586) | (110,600) | (19,600) | - |

The estimated monetary value of benefits-in-kind provided to a Director of the Company was nil (2002: RM1,750).

* Contract termination costs represent payment for mutual termination of a power plant project to supply electricity to the Group's plywood mill.

7 Finance cost

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|----------------------|------------|---------------------|------------|-----------------------|
| Interest expenses: | | | | |
| Term loan | 6,864,623 | 6,150,000 | 6,444,384 | 6,150,000 |
| Bankers' acceptances | - | 274,278 | - | - |
| | 6,864,623 | 6,424,278 | 6,444,384 | 6,150,000 |

Notes to the Financial Statements

8 Tax

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---|------------|---------------------|------------|-----------------------|
| Malaysian income tax | | | | |
| - Current financial year | 8,782,768 | 39,600 | 8,493,000 | - |
| - Over provision in prior financial years | (722,329) | (67,108) | - | (67,108) |
| Deferred tax (Note 23) | 866,000 | - | 866,000 | - |
| | 8,926,439 | (27,508) | 9,359,000 | (67,108) |

The effective tax rate of the Company for the year was higher than the statutory tax rate prevailing in Malaysia because certain expenses were not deductible for tax purposes.

The tax saving from the utilisation of tax losses brought forward from previous years amounted to approximately RM166,000 (2002: Nil).

The unutilised tax losses of the Group and Company for which the tax effects have not been recognised in the financial statements amounted to approximately RM16,524,000 (2002: RM16,745,000) and nil (2002: RM593,000), respectively.

9 Earnings/(loss) per share

The earnings/(loss) per share of the Group has been calculated based on the net profit/(loss) for the financial year of RM37,194,546 (2002: (RM20,005,429)) and the number of ordinary shares in issue of 200,000,000 (2002: 200,000,000) during the financial year.

10 Impairment loss

| | 2003 RM | Group 2002 RM |
|-----------------------|------------|---------------------|
| Impairment of: | | |
| - Plant and machinery | 469,651 | - |

During the financial year, certain plant and machinery is idle and not generating income. This led to the recognition of impairment loss of RM469,651 during the financial year. The recognition of this loss was in accordance with the principles of MASB 23 "Impairment of Assets" which was applied prospectively as of 1 February 2002 (Note 2). The recoverable amount of these assets was zero.

Notes to the Financial Statements

| 11 Property, plant and equipment | | | | | | | | | | |
|--|------------------------|-------------------------|--------------|---|------------------------|------------------------------|--------------------------------------|-----------------------------------|-----------------------------|-------------|
| Group 2003 | Long leasehold land RM | Short leasehold land RM | Buildings RM | Watercrafts, tractors, trucks and motor vehicles RM | Plant and machinery RM | Infrastructure facilities RM | Furniture, fittings and equipment RM | Computer hardware and software RM | Capital work-in-progress RM | Total RM |
| Cost | | | | | | | | | | |
| At 1.2.2002 | 13,183,177 | 4,239,879 | 94,388,133 | 11,535,259 | 187,891,487 | 13,278,854 | 9,521,645 | 22,239,450 | 6,255,075 | 362,532,959 |
| Acquisition of subsidiary | 157,259 | - | 2,995,556 | 667,993 | 11,240,311 | 2,105,933 | 92,040 | - | - | 17,259,092 |
| Additions | - | - | 75,598 | 837,608 | 699,025 | 8,906,271 | 320,171 | 19,633 | 30,334,639 | 41,192,945 |
| Disposals/ written off | - | - | - | (120) | (814) | - | (37,705) | (71,814) | (145,643) | (256,096) |
| Reclassification | - | - | 471,453 | 386,070 | 30,496,102 | - | 49,817 | 28,000 | (31,431,442) | - |
| At 31.1.2003 | 13,340,436 | 4,239,879 | 97,930,740 | 13,426,810 | 230,326,111 | 24,291,058 | 9,945,968 | 22,215,269 | 5,012,629 | 420,728,900 |
| Accumulated depreciation/ accumulated impairment losses | | | | | | | | | | |
| At 1.2.2002 | 1,045,381 | 650,517 | 41,104,888 | 10,078,327 | 125,427,156 | 7,894,315 | 1,681,082 | 4,842,081 | - | 192,723,747 |
| - Acquisition of subsidiary | - | - | 2,693,152 | 556,148 | 10,156,773 | 2,105,933 | 85,230 | - | - | 15,597,236 |
| - Charge for the financial year | 224,774 | 142,249 | 3,673,200 | 531,139 | 11,449,918 | 898,345 | 989,828 | 2,484,688 | - | 20,394,141 |
| - Impairment loss for the financial year | - | - | - | - | 469,651 | - | - | - | - | 469,651 |
| - Disposals/ written off | - | - | - | (119) | (811) | - | (21,937) | (1,653) | - | (24,520) |
| Reclassification | - | - | - | 1,458 | (1,458) | - | - | - | - | - |
| At 31.1.2003 | 1,270,155 | 792,766 | 47,471,240 | 11,166,953 | 147,031,578 | 10,898,593 | 2,734,203 | 7,325,116 | - | 228,690,604 |
| - Accumulated depreciation | - | - | - | - | 469,651 | - | - | - | - | 469,651 |
| - Accumulated impairment losses | - | - | - | - | - | - | - | - | - | - |

Notes to the Financial Statements

11 Property, plant and equipment (cont'd)

| Group 2003 | Long leasehold land RM | Short leasehold land RM | Buildings | | Watercrafts, tractors, trucks and motor vehicles RM | Plant and machinery RM | Infrastructure facilities RM | Furniture, fittings and equipment RM | Computer hardware and software RM | Capital work-in- progress RM | Total RM |
|---------------------------|---------------------------------|----------------------------------|------------|-----------|--|------------------------------|------------------------------------|---|---|---------------------------------------|-------------|
| | | | RM | RM | | | | | | | |
| Net book value | | | | | | | | | | | |
| As at 31.1.2003 | 12,070,281 | 3,447,113 | 50,459,500 | 2,259,857 | 82,824,882 | 13,392,465 | 7,211,765 | 14,890,153 | 5,012,629 | 191,568,645 | |
| Net book value | | | | | | | | | | | |
| As at 31.1.2002 | 12,137,796 | 3,589,362 | 53,283,245 | 1,456,932 | 62,464,331 | 5,384,539 | 7,840,563 | 17,397,369 | 6,255,075 | 169,809,212 | |

Long leasehold land with net book value of RM157,259 (2002: Nil) is native land acquired solely for the purposes of a subsidiary's logging operations.

Certain buildings of the Group with net book value of RM3,571,743 (2002: RM4,392,625) are situated on land which is held by a company in which a Director of certain subsidiaries and certain substantial shareholders of the Company have financial interests.

Notes to the Financial Statements

11 Property, plant and equipment (cont'd)

| Company 2003 | Infrastructure RM | Building RM | Furniture, fittings and equipment RM | Watercrafts and motor vehicles RM | Capital work-in- progress RM | Total RM |
|---------------------------------|----------------------|----------------|---|--|---------------------------------------|-------------|
| Cost | | | | | | |
| At 1.2.2002 | - | 12,503,317 | 6,716,626 | 294,588 | 292,919 | 19,807,450 |
| Additions | 8,901,534 | 32,000 | 223,695 | 646,946 | 896,522 | 10,700,697 |
| Disposals/written off | - | - | (5,178) | - | (145,643) | (150,821) |
| Reclassification | - | 471,453 | 49,817 | 211,070 | (732,340) | - |
| At 31.1.2003 | 8,901,534 | 13,006,770 | 6,984,960 | 1,152,604 | 311,458 | 30,357,326 |
| Accumulated depreciation | | | | | | |
| At 1.2.2002 | - | 166,711 | 116,092 | 38,027 | - | 320,830 |
| Charge for the financial year | 172,063 | 255,919 | 682,493 | 156,192 | - | 1,266,667 |
| Disposals/written off | - | - | (534) | - | - | (534) |
| At 31.1.2003 | 172,063 | 422,630 | 798,051 | 194,219 | - | 1,586,963 |
| Net book value | | | | | | |
| As at 31.1.2003 | 8,729,471 | 12,584,140 | 6,186,909 | 958,385 | 311,458 | 28,770,363 |
| Net book value | | | | | | |
| As at 31.1.2002 | - | 12,336,606 | 6,600,534 | 256,561 | 292,919 | 19,486,620 |

Notes to the Financial Statements

11 Property, plant and equipment (con'd)

Purchase of property, plant and equipment by means of:

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|----------|------------|---------------------|------------|-----------------------|
| Payables | 1,855,142 | - | 71,440 | 10,716 |
| Cash | 39,337,803 | 18,439,527 | 10,629,257 | 9,109,161 |
| | 41,192,945 | 18,439,527 | 10,700,697 | 9,119,877 |

12 Acquisition of a subsidiary

On 30 December 2002, the Company acquired 100% equity interest in Sarawak Plywood (M) Sdn. Bhd. for a cash consideration of RM22,546,604.

The effect of this acquisition on the financial results of the Group during the financial year is shown below:

| | 2003 RM |
|---|-------------|
| Revenue | 3,058,886 |
| Cost of sales | (2,237,361) |
| Gross profit | 821,525 |
| Other operating income | 56,194 |
| Selling and distribution expenses | (482,723) |
| Administrative expenses | (208,701) |
| Other operating expenses (including amortisation of reserve on consolidation) | (213,924) |
| Loss from operations | (27,629) |
| Finance cost | - |
| Loss from ordinary activities before tax | (27,629) |
| Tax | (89,241) |
| Loss from ordinary activities after tax | (116,870) |
| Minority interest | - |
| Net loss for the year | (116,870) |
| Less: Group's share of profit had the Group not acquired the additional equity interest | - |
| Increase in net loss for the year | (116,870) |

Notes to the Financial Statements

12 Acquisition of a subsidiary (con'd)

The effect of this acquisition on the financial position at the year end is as follows:

| | 2003 RM |
|--|-------------------|
| Property, plant and equipment | 1,808,130 |
| Rights in timber licence | 29,105,539 |
| Inventories | 4,826,759 |
| Receivables, deposits and prepayments | 7,765,689 |
| Tax recoverable | 379,669 |
| Deposits, bank and cash balances | 8,002,395 |
| Payables | (15,556,806) |
| Reserve on consolidation | (13,901,641) |
| Group's share of net assets | <u>22,429,734</u> |
| Less: Group's share of profit had the Group not acquired the equity interest | - |
| Increase in Group net assets | <u>22,429,734</u> |

Details of net assets acquired, goodwill and cash flow arising from the acquisition are as follows:

| | At date of acquisition RM |
|---|---------------------------------|
| Property, plant and equipment | 1,661,856 |
| Inventories | 1,542,114 |
| Receivables, deposits and prepayments | 7,324,812 |
| Tax recoverable | 272,175 |
| Deposits, bank and cash balances | 9,017,636 |
| Payables | (12,689,811) |
| Fair value of total net assets | <u>7,128,782</u> |
| Add: Fair value adjustment attributable to rights in timber licence | 29,436,284 |
| Fair value of net assets acquired at 30 December 2002 | <u>36,565,066</u> |
| Reserve on consolidation | (14,018,462) |
| Cost of acquisition (comprising purchase consideration and expenses directly attributable to the acquisition) | <u>22,546,604</u> |
| Total purchase consideration | 22,546,604 |
| Purchase consideration discharged by trade payables | (324,560) |
| | <u>22,222,044</u> |
| Less: Cash and cash equivalents of subsidiary acquired | (9,017,636) |
| Net cash outflow on acquisition of subsidiary | <u>13,204,408</u> |

Notes to the Financial Statements

13 Subsidiaries

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--------------------------|------------|---------------------|-------------|-----------------------|
| Unquoted shares, at cost | - | - | 169,567,841 | 147,021,237 |

The shares of all subsidiaries are held directly by the Company. Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

| <u>Subsidiaries</u> | <u>Principal activities</u> | <u>Effective equity interest</u> | |
|--|---|----------------------------------|-----------|
| | | 2003 % | 2002 % |
| Subur Tiasa Plywood Sdn. Bhd. | Manufacture and sale of plywood and veneer | 100 | 100 |
| Subur Tiasa Particleboard Sdn. Bhd. | Manufacture and sale of particleboard | 100 | 100 |
| R H Timber Processing Industries Sdn. Bhd. | Manufacture and sale of sawn timber | 100 | 100 |
| Trimogreen Sdn. Bhd. | Manufacture and sale of sawn timber and finger joint moulding | 100 | 100 |
| Homet Raya Sdn. Bhd. | Independent power producer | 100 | 100 |
| T. Q. Oriental Sdn. Bhd. | Dormant | 100 | 100 |
| Subur Tiasa Forestry Sdn. Bhd. | Dormant | 100 | 100 |
| Sarawak Plywood (M) Sdn. Bhd. + | Logging, sawmilling and marketing of logs and sawn timber | 100 | - |

+ Audited by a firm other than PricewaterhouseCoopers

Notes to the Financial Statements

14 Rights in timber licences

| | Note | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---|------|--------------|---------------------|--------------|-----------------------|
| At cost | | 183,446,732 | 181,477,435 | 183,446,732 | 181,477,435 |
| Add: Overstatement of discount received | | - | 1,969,297 | - | 1,969,297 |
| Add: Arising from acquisition of a subsidiary | 12 | 29,436,284 | - | - | - |
| | | 212,883,016 | 183,446,732 | 183,446,732 | 183,446,732 |
| Less: Accumulated amortisation | | (42,925,393) | (28,871,380) | (42,594,648) | (28,871,380) |
| | | 169,957,623 | 154,575,352 | 140,852,084 | 154,575,352 |

15 Goodwill/reserve on consolidation

| | 2003 RM | Group 2002 RM |
|---|--------------|---------------------|
| Goodwill on consolidation | | |
| Acquisition of subsidiaries | 11,658,293 | 11,658,293 |
| Less: Accumulated amortisation | (6,791,051) | (5,829,145) |
| Less: Goodwill written off | (1,019,620) | (1,019,620) |
| | 3,847,622 | 4,809,528 |
| Reserve on consolidation | | |
| Acquisition of subsidiaries | 50,772,607 | 50,772,607 |
| Add: Arising from acquisition of a subsidiary (Note 12) | 14,018,462 | - |
| Less: Accumulated amortisation | (30,580,384) | (25,386,301) |
| | 34,210,685 | 25,386,306 |

16 Long term receivable

Long term receivable represents payment made to third party in respect of purchase of all the merchantable timber logs from a forest concession for a period of twenty years. This amount will be set-off against the amount payable for future purchases of timber logs.

Notes to the Financial Statements

17 Inventories

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--------------------------------|------------|---------------------|------------|-----------------------|
| At cost | | | | |
| Raw materials | | | | |
| - Logs | 12,788,358 | 17,705,484 | 7,671,445 | 10,455,834 |
| - Waste timber | 270,278 | 469,749 | - | - |
| Finished goods | | | | |
| - Finger joint moulding | 899,118 | 488,152 | - | - |
| - Particleboard | 4,324,107 | 1,849,877 | - | - |
| - Plywood and veneer | 19,549,811 | 13,290,437 | - | - |
| - Sawn timber | 3,357,787 | 1,325,615 | - | - |
| Work-in-progress | 4,400,826 | 4,349,994 | - | - |
| General stores | 14,633,929 | 12,480,146 | - | - |
| | 60,224,214 | 51,959,454 | 7,671,445 | 10,455,834 |
| At net realisable value | | | | |
| Finished goods | | | | |
| - Particleboard | - | 182,711 | - | - |
| - Plywood and veneer | - | 7,743,765 | - | - |
| - Sawn timber | - | 815,238 | - | - |
| - Finger joint moulding | - | 105,723 | - | - |
| | 60,224,214 | 60,806,891 | 7,671,445 | 10,455,834 |

18 Trade and other receivables

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|------------------------------------|------------|---------------------|------------|-----------------------|
| Trade receivables | 24,050,949 | 23,718,847 | 11,858,891 | 13,040,624 |
| Less: Allowance for doubtful debts | (181,037) | (168,741) | (25,176) | - |
| | 23,869,912 | 23,550,106 | 11,833,715 | 13,040,624 |
| Other receivables | 1,215,935 | 220,249 | 63,350 | 46,896 |
| Deposits | 1,226,237 | 2,884,710 | 6,660 | 1,038,605 |
| Prepayments | 4,137,985 | 6,286,868 | 2,686,005 | 5,060,109 |
| | 30,450,069 | 32,941,933 | 14,589,730 | 19,186,234 |

Notes to the Financial Statements

18 Trade and other receivables (con'd)

The currency exposure profile of trade receivables is as follows:

| | Group 2003 RM | Company 2003 RM |
|--------------------|----------------------------|------------------------------|
| - Ringgit Malaysia | 16,340,643 | 8,157,698 |
| - US Dollar | 7,587,838 | 3,701,193 |
| - Euro | 122,468 | - |
| | 24,050,949 | 11,858,891 |

Credit terms of trade receivables are assessed and approved on a case-by-case basis and range from payment in advance to 180 days.

Trade receivables of the Group and the Company include amounts of RM9,106,016 (2002: RM6,429,579) and RM3,947,005 (2002: RM4,224,001) respectively due from companies in which certain Directors and substantial shareholders of the Company have financial interests.

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

19 Amounts due from/(to) subsidiaries

| | 2003 RM | Company 2002 RM |
|------------------------------------|-------------------|------------------------------|
| Amounts due from subsidiaries | 23,571,181 | 46,266,815 |
| Less: Allowance for doubtful debts | (7,462,485) | (4,000,000) |
| | 16,108,696 | 42,266,815 |
| Advances from a subsidiary | (27,400,000) | (33,000,000) |

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Notes to the Financial Statements

20 Deposits, bank and cash balances

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|------------------------------|-------------------|---------------------|------------------|-----------------------|
| Deposits with licensed banks | 27,548,550 | 22,702,805 | 7,629,988 | 9,500,000 |
| Bank and cash balances | 10,274,724 | 3,785,090 | 435,779 | 155,214 |
| | <u>37,823,274</u> | <u>26,487,895</u> | <u>8,065,767</u> | <u>9,655,214</u> |

The currency exposure profile of deposits, bank and cash balances is as follows:

| | Group 2003 RM | Company 2003 RM |
|--------------------|---------------------|-----------------------|
| - Ringgit Malaysia | 37,823,050 | 8,065,767 |
| - US Dollar | 224 | - |
| | <u>37,823,274</u> | <u>8,065,767</u> |

The weighted average interest rate of deposits that was effective during the year was as follows:

| | 2003 % | Group 2002 % | 2003 % | Company 2002 % |
|------------------------------|-----------|--------------------|-----------|----------------------|
| Deposits with licensed banks | 3.0 | 3.2 | 3.0 | 3.2 |

The maturity of these deposits ranged from 10 days to three months.

Notes to the Financial Statements

21 Trade and other payables

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|----------------|-------------------|---------------------|-------------------|-----------------------|
| Trade payables | 48,732,111 | 71,141,626 | 15,696,840 | 36,179,534 |
| Other payables | 376,033 | 1,525 | - | - |
| Deposits | 627,730 | 213,441 | 284,730 | - |
| Trade accruals | 16,003,593 | 13,375,241 | 8,737,713 | 11,588,085 |
| | <u>65,739,467</u> | <u>84,731,833</u> | <u>24,719,283</u> | <u>47,767,619</u> |

The currency exposure profile of trade payables is as follows:

| | Group 2003 RM | Company 2003 RM |
|--------------------|---------------------|-----------------------|
| - Ringgit Malaysia | 46,355,374 | 15,696,840 |
| - US Dollar | 208,404 | - |
| - Euro | 21,662 | - |
| - Japanese Yen | 2,146,671 | - |
| | <u>48,732,111</u> | <u>15,696,840</u> |

Credit terms of trade payables granted to the Group vary from cash term to credit of 180 days.

Trade payables of the Group and the Company include amounts of RM25,919,022 (2002: RM38,799,657) and RM7,317,978 (2002: RM15,176,924) respectively due to companies in which certain Directors and substantial shareholders of the Company have financial interests. These amounts are in respect of trade purchases in the normal course of business and are unsecured, interest free and have no fixed terms of repayment.

Notes to the Financial Statements

22 Term loans (unsecured and interest bearing)

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--|--------------------|---------------------|--------------------|-----------------------|
| Not later than 1 year | 8,000,000 | 30,000,000 | 8,000,000 | 30,000,000 |
| Later than 1 year and not later than 5 years | 104,290,046 | 70,000,000 | 92,000,000 | 70,000,000 |
| | <u>112,290,046</u> | <u>100,000,000</u> | <u>100,000,000</u> | <u>100,000,000</u> |
| Disclosed as: | | | | |
| Current | 8,000,000 | 30,000,000 | 8,000,000 | 30,000,000 |
| Non current | 104,290,046 | 70,000,000 | 92,000,000 | 70,000,000 |
| | <u>112,290,046</u> | <u>100,000,000</u> | <u>100,000,000</u> | <u>100,000,000</u> |

The term loan of the Company is repayable over eight bi-annual instalments commencing September 2003, with the first two instalments payable at RM8,000,000 each, the third to sixth instalment at RM13,000,000 each and the last two instalments at RM16,000,000 each. The term loans of a subsidiary are repayable over 36 monthly instalments commencing in the third year. Interest is to be serviced on monthly basis. The term loans are secured against corporate guarantee of the Company and against a negative pledge. These term loans contain covenants that require the Group to maintain minimum revenue and shareholders' equity, and limit the gearing ratio, cash interest cover ratio and debt service cover ratio.

The effective interest rates are as follows:

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---------------------------|--------------------|---------------------|--------------------|-----------------------|
| Term loans | 6.11 | 6.15 | 6.50 | 6.15 |
| Currency exposure profile | | | | |
| Ringgit Malaysia | <u>112,290,046</u> | <u>100,000,000</u> | <u>100,000,000</u> | <u>100,000,000</u> |
| Estimated fair values | | | | |

The fair values of the term loans with maturity more than one year at the balance sheet date are set out below:

| | Carrying amount RM | Group Fair value RM | Carrying amount RM | Company Fair value RM |
|------------|--------------------------|------------------------------|--------------------------|--------------------------------|
| Term loans | <u>104,290,046</u> | <u>104,290,046</u> | <u>92,000,000</u> | <u>92,000,000</u> |

Notes to the Financial Statements

23 Deferred tax liabilities

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--------------------------------------|------------|---------------------|------------|-----------------------|
| At start of financial year | - | - | - | - |
| Charged to income statement (Note 8) | 866,000 | - | 866,000 | - |
| At end of financial year | 866,000 | - | 866,000 | - |

24 Share capital

| | Group and Company | |
|-----------------------------|-------------------|---------------|
| | 2003 RM | 2002 RM |
| Authorised: | | |
| Ordinary shares of RM1 each | 1,000,000,000 | 1,000,000,000 |
| Issued and fully paid: | | |
| Ordinary shares of RM1 each | 200,000,000 | 200,000,000 |

25 Significant related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below have been entered into in the normal course of business and have been established under terms negotiated between the parties concerned.

(a) Transactions with subsidiaries:

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---|------------|---------------------|--------------|-----------------------|
| Sale of logs to: | | | | |
| - R H Timber Processing Industries Sdn. Bhd.@ | - | - | - | (1,585,352) |
| - Subur Tiasa Plywood Sdn. Bhd. | - | - | (64,077,195) | (54,811,503) |
| - Trimogreen Sdn. Bhd. | - | - | (9,117,498) | (9,423,091) |
| Sale of waste wood to: | | | | |
| - Subur Tiasa Particleboard Sdn. Bhd. | - | - | (217,478) | - |
| Purchase of sawn timber from: | | | | |
| - Trimogreen Sdn. Bhd. | - | - | 61,097 | - |

Notes to the Financial Statements

25 Significant related party disclosures (con'd)

(b) Transactions with companies in which certain Directors and substantial shareholders have financial interests:

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---|------------|---------------------|------------|-----------------------|
| Air tickets charges paid/payable to: | | | | |
| - R. H. Tours and Travel Agency Sdn. Bhd. *@ | 146,965 | 97,695 | 79,210 | 15,999 |
| Consultancy and technical services paid/payable to: | | | | |
| - Comserv (Sarawak) Sdn. Bhd. * | - | 15,000 | - | - |
| Freight and handling charges paid/payable to: | | | | |
| - Caswan Jaya Sdn. Bhd. | 746,602 | 882,453 | - | - |
| - Continental Spectrum Sdn. Bhd. | 278,252 | 220,611 | 173,485 | 220,611 |
| - Globalcom Sdn. Bhd. | 137,703 | 62,272 | 104,534 | 62,272 |
| - Globular Sdn. Bhd. *@ | 2,553,399 | 1,335,247 | 2,521,995 | 1,179,002 |
| - Hornbilland Bhd. | 349,291 | 384,538 | 275,840 | 384,538 |
| - Jaras Sdn. Bhd.* | 155,451 | - | 155,451 | - |
| - Jaya Tiasa Holdings Berhad* | 468,568 | - | 468,568 | - |
| - Laut Sepakat Sdn. Bhd. | 593,221 | 400,871 | 593,221 | 374,432 |
| - Onward Shipping Sdn. Bhd. # | 2,225,960 | 2,147,018 | - | - |
| - Rimbunan Hijau Sdn. Bhd. *@ | 216,231 | 362,587 | 216,231 | 362,587 |
| - Subur Abadi Sdn. Bhd. *@ | - | 23,419 | - | 23,419 |
| - Syarikat Perkapalan C. H. Ling Sdn. Bhd. # | 6,666,251 | 8,334,041 | - | - |
| - Taman Logging Sdn. Bhd. *@ | 2,096,311 | 1,163,741 | 2,096,311 | 1,163,741 |
| - Tenaga Bangsawan Sdn. Bhd. | 500,292 | 233,463 | 461,037 | 233,463 |
| - Transport Resources Sdn. Bhd. *@ | 3,520 | 72,792 | - | 72,792 |
| - Twinfield Sdn. Bhd.* | 99,221 | - | 99,221 | - |
| - Vital Focus Shipping Sdn. Bhd. | 451,414 | 526,636 | 379,384 | 526,636 |
| Helicopter charter charges paid/payable to: | | | | |
| - Bonhin Sdn. Bhd. *@ | 122,180 | - | 122,180 | - |
| Insurance charges paid/payable to: | | | | |
| - Evershine Agency Sdn. Bhd. * | 940,404 | 847,897 | 106,495 | 27,091 |
| - Harmony Agencies Sdn. Bhd. * | 316,448 | 418,109 | 23,812 | 10,394 |

Notes to the Financial Statements

25 Significant related party disclosures (con'd)

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---|------------|---------------------|------------|-----------------------|
| Logging contract fee paid/payable to: | | | | |
| - Baram Lumber Development Sdn. Bhd. *@ | 28,379,754 | 30,636,155 | 28,379,754 | 30,636,155 |
| - Borneo Tunas Sdn. Bhd. *@ | 19,923,927 | 15,623,395 | 19,923,927 | 15,623,395 |
| - Gunong Mulu Lumber Development Co. Sdn. Bhd. *@ | 3,041,966 | - | - | - |
| - Sovereign Hill Sdn. Bhd. *@ | 15,832,392 | 16,001,879 | 15,832,392 | 16,001,879 |
| - Sunplus Resources Sdn. Bhd. *@ | 43,399,848 | 35,223,537 | 43,399,848 | 35,223,537 |
| Purchase of property, plant and equipment from: | | | | |
| - Baram Lumber Development Sdn. Bhd. *@ | 2,366,260 | - | 2,366,260 | - |
| - Comserv (Sarawak) Sdn. Bhd. * | 25,959 | 194,539 | 5,036 | - |
| - Globular Sdn. Bhd. *@ | 145,000 | - | 145,000 | - |
| - Pan Sarawak Co Sdn. Bhd. | 21,150 | - | 21,150 | - |
| - Rimbunan Hijau General Trading Sdn. Bhd. *@ | 149,158 | - | 72,158 | - |
| - Rimbunan Hijau Holdings Sdn. Bhd. *@ | 12,500 | - | 12,500 | - |
| - Sunplus Resources Sdn. Bhd. *@ | 6,535,274 | - | 6,535,274 | - |
| - Jaya Tiasa Plywood Sdn. Bhd. *@ | 48,000 | - | - | - |
| Marketing fee paid/payable to: | | | | |
| - Rimbunan Hijau Sdn. Bhd. *@ | 1,433,487 | 1,404,024 | 1,433,487 | 1,404,024 |
| Purchase of consumable stores from: | | | | |
| - Comserv (Sarawak) Sdn. Bhd. * | 13,671 | 31,933 | 4,752 | - |
| - Jaya Tiasa Plywood Sdn. Bhd. *@ | 28,255 | 4,717 | - | - |
| - Lajong Lumber Company Sdn. Bhd. * | 40,177 | - | - | - |
| - Marabong Lumber Sdn. Bhd. *@ | 20,000 | - | - | - |
| - Pan Sarawak Co Sdn. Bhd. | 362,143 | 614,006 | 1,035 | 473,363 |
| - Rimbunan Hijau General Trading Sdn. Bhd. *@ | 649,664 | 290,623 | - | - |
| - Taman Logging Sdn. Bhd. *@ | 12,644 | - | 12,644 | - |
| - Tiong Toh Siong & Sons Sdn. Bhd. *@ | 2,449,165 | 4,138,814 | - | - |
| - Transport Resources Sdn. Bhd. *@ | 26,840 | - | 26,840 | - |
| Purchase of electricity from: | | | | |
| - Jaya Tiasa Timber Products Sdn. Bhd. *@ | 990,879 | 876,486 | - | - |

Notes to the Financial Statements

25 Significant related party disclosures (cont'd)

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|---|------------|---------------------|------------|-----------------------|
| Purchase of logs from: | | | | |
| - Binamewah Sdn. Bhd. * | 122,159 | 5,650,586 | 122,159 | 1,216,707 |
| - Curiah Sdn. Bhd. *@ | - | 387,034 | - | - |
| - Hak Jaya Sdn. Bhd. *@ | - | 560,483 | - | - |
| - Jaras Sdn. Bhd. * | - | 16,899 | - | - |
| - Jaya Tiasa Holdings Berhad * | 908,465 | 8,713,322 | 465,312 | - |
| - Jaya Tiasa Timber Products Sdn. Bhd. *@ | - | 162,082 | - | - |
| - Kunari Timber Sdn. Bhd. *@ | - | 796,135 | - | - |
| - Lasuria Sdn. Bhd. * | - | 879,165 | - | 6,726 |
| - Lukutan Enterprises Sdn. Bhd. *@ | 84,600 | 2,750,428 | 41,982 | 339,981 |
| - Maxiwealth Holdings Sdn. Bhd. *@ | - | - | - | - |
| - Rejang Logging Co. Sdn. Bhd. *@ | - | 4,140,502 | - | 622,902 |
| - Rimbunan Hijau Sdn. Bhd. *@ | 1,838,291 | 1,653,716 | - | 366,053 |
| - Sarica Enterprise Sdn. Bhd. * | - | 41,182 | - | 41,182 |
| - Sericahaya Sdn. Bhd. *@ | - | 955,360 | - | - |
| - Subur Abadi Sdn. Bhd. *@ | - | 3,555,671 | - | 371,695 |
| - Taman Logging Sdn. Bhd. *@ | - | 76,468 | - | 76,468 |
| Purchase of raw materials from: | | | | |
| - Petanak Enterprises Sdn. Bhd. * | 18,725,348 | 18,753,942 | - | - |
| - Sarawak Forest Product Sdn. Bhd. *@ | 8,100 | 42,040 | - | - |
| Purchase of waste timber from: | | | | |
| - Borneo Lumber Industries Sdn. Bhd. | 75,088 | 2,480 | - | - |
| - Unique Wood Sdn. Bhd. | 137,186 | 41,398 | - | - |
| Rental of land paid/payable to: | | | | |
| - Rimbunan Hijau Sdn. Bhd. *@ | 86,400 | 86,400 | - | - |
| - Tiong Toh Siong Holdings Sdn. Bhd. *@ | 10,200 | 10,200 | - | - |
| - Transport Resources Sdn. Bhd. *@ | 68,000 | - | 68,000 | - |
| Consultancy and technical services provided to: | | | | |
| - Perpuhuan Jaya Sdn. Bhd. * | (60,000) | (60,000) | - | - |

Notes to the Financial Statements

25 Significant related party disclosures (con'd)

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--|-------------|---------------------|-------------|-----------------------|
| Sales of property, plant and equipment to: | | | | |
| - C O Tiong Holdings Sdn. Bhd. # | - | (131,198) | - | - |
| - Rimbunan Hijau Holdings Sdn. Bhd. *@ | (74,051) | - | - | - |
| Rental income from: | | | | |
| - Perpuluhan Jaya Sdn. Bhd. * | (25,800) | (30,000) | - | - |
| Sales of electricity to: | | | | |
| - Perpuluhan Jaya Sdn. Bhd. * | (695,938) | (799,130) | - | - |
| - Jaya Tiasa Holdings Bhd. * | (36,695) | - | - | - |
| Sales of logs to: | | | | |
| - Borneo Lumber Industries Sdn. Bhd. | (3,514,692) | - | (3,514,692) | - |
| - Hak Jaya Sdn. Bhd. *@ | - | (668,681) | - | (668,681) |
| - Jaya Tiasa Holdings Berhad * | (17,620) | - | (17,620) | - |
| - Jaya Tiasa Timber Products Sdn. Bhd. * @ | (37,057) | (13,826) | (37,057) | (13,826) |
| - Kunari Timber Sdn. Bhd. *@ | - | (189,034) | - | (189,034) |
| - Lukutan Enterprises Sdn. Bhd. *@ | - | (118,909) | - | (118,909) |
| - Rimbunan Hijau Sdn. Bhd. * @ | (2,593,319) | (3,614,964) | (183,358) | (3,612,781) |
| - Perpuluhan Jaya Sdn. Bhd. * | (1,690,065) | (5,125,536) | (1,690,065) | (5,125,536) |
| - Sarawak Forest Product Sdn. Bhd. *@ | - | (1,022,726) | - | (1,022,726) |
| - Twinfield Sdn. Bhd. * | (4,473,632) | (10,109,083) | (4,473,632) | (10,109,083) |
| - Unique Wood Sdn. Bhd. | (815,338) | - | (815,338) | - |
| Sales of moulding to: | | | | |
| - Tiong Toh Siong & Sons Sdn. Bhd. *@ | (50,676) | (31,605) | - | - |
| Sales of plywood to: | | | | |
| - Tiong Toh Siong & Sons Sdn. Bhd. *@ | (10,147) | - | - | - |
| Sales of waste timber to: | | | | |
| - Jaya Tiasa Timber Products Sdn. Bhd. *@ | (70,340) | (77,865) | - | - |
| - Jaya Tiasa Plywood Sdn. Bhd. * @ | (50,175) | - | - | - |

* These are companies in which Tan Sri Datuk Diong Hiew King @ Tiong Hiew King, a substantial shareholder of the Company has substantial interest, both direct and/or indirect interest.

Notes to the Financial Statements

25 Significant related party disclosures (cont'd)

@ These are companies in which Tan Sri Datuk Diong Hiew King @ Tiong Hiew King is a director.

These are companies in which Tiong Chiong Ong, who is a director of Subur Tiasa Particleboard Sdn. Bhd., Subur Tiasa Plywood Sdn. Bhd., Trimogreen Sdn. Bhd. and Petanak Enterprises Sdn. Bhd., is a substantial shareholder.

The nature and extent of the interest of the Directors concerned are as set out below:

(a) YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai
Director of Taman Logging Sdn. Bhd..

(b) YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh
Director of Garu Sdn. Bhd..
Deemed interested in Jaya Tiasa Holdings Berhad by virtue of his substantial shareholding in Amanas Sdn. Bhd..

(c) Tiong Kiong King
A member of the family of Tan Sri Datuk Diong Hiew King @ Tiong Hiew King.

Director of the following companies:

- Rimbunan Hijau Sdn. Bhd.;
- Tiong Toh Siong Holdings Sdn. Bhd.;
- Rejang Logging Co. Sdn. Bhd.; and
- Lajong Lumber Company Sdn. Bhd..

Substantial shareholder of the following companies:

- Baram Lumber Development Sdn. Bhd.;
- Sovereign Hill Sdn. Bhd.;
- Binamewah Sdn. Bhd.;
- Tiong Toh Siong Holdings Sdn. Bhd.;
- Harmony Agencies Sdn. Bhd.;
- Twinfield Sdn. Bhd.;
- Taman Logging Sdn. Bhd.;
- Lasuria Sdn. Bhd.;
- Marabong Lumber Sdn. Bhd.;
- Rimbunan Hijau Holdings Sdn. Bhd.;
- Rejang Logging Co. Sdn. Bhd.; and
- Globalcom Sdn. Bhd..

A family member of Tiong Kiong King is a substantial shareholder in Evershine Agency Sdn. Bhd..

Deemed interested in Perpuluhan Jaya Sdn. Bhd. by virtue of his substantial shareholding in Biru-Hijau Enterprise Sdn. Bhd..

Notes to the Financial Statements

25 Significant related party disclosures (con'd)

(d) Tiong Chiong Ie

Director of the following companies:

- Rimbunan Hijau Sdn. Bhd.;
- Tiong Toh Siong Holdings Sdn. Bhd.;
- Continental Spectrum Sdn. Bhd.;
- Globalcom Sdn. Bhd.; and
- Hornbilland Bhd..

Substantial shareholder of Vital Focus Shipping Sdn. Bhd..

Deemed interested in the following companies by virtue of the substantial shareholding held by his family members in TYK Holding Sdn. Bhd.:

- Continental Spectrum Sdn. Bhd.;
- Globalcom Sdn. Bhd.; and
- Hornbilland Bhd..

Deemed interested in the following companies by virtue of his substantial shareholding in Prihartta Development Sdn. Bhd.:

- Baram Lumber Development Sdn. Bhd.;
- Sovereign Hill Sdn. Bhd.;
- Evershine Agency Sdn. Bhd.;
- Binamewah Sdn. Bhd.;
- Tiong Toh Siong Holdings Sdn. Bhd.;
- Harmony Agencies Sdn. Bhd.;
- Taman Logging Sdn. Bhd.;
- Lasuria Sdn. Bhd.;
- Twinfield Sdn. Bhd.;
- Rimbunan Hijau Holdings Sdn. Bhd.; and
- Marabong Lumber Sdn. Bhd..

A family member of Tiong Chiong Ie is a substantial shareholder in Vital Focus Shipping Sdn. Bhd..

(e) Tiong Ing

A member of the family of Tan Sri Datuk Diong Hiew King @ Tiong Hiew King.

Director of the following companies:

- Comserv (Sarawak) Sdn. Bhd.;
- Petanak Enterprises Sdn. Bhd.;
- R H Timber Processing Industries Sdn. Bhd.;
- Subur Tiasa Particleboard Sdn. Bhd.; and
- Trimogreen Sdn. Bhd..

Notes to the Financial Statements

25 Significant related party disclosures (con'd)

(e) Tiong Ing (con'd)

Substantial shareholder of Tenaga Bangsawan Sdn. Bhd..

Deemed interested in the following companies by virtue of her substantial shareholding in Jet Holdings Sdn. Bhd.:

- Caswan Jaya Sdn. Bhd.; and
- Tenaga Bangsawan Sdn. Bhd..

Deemed interested in the following companies by virtue of her substantial shareholding in Unique Wood Holdings Sdn. Bhd.:

- Laut Sepakat Sdn. Bhd.;
- Borneo Lumber Industries Sdn. Bhd.; and
- Unique Wood Sdn. Bhd..

A family member of Tiong Ing is deemed interested in Pan Sarawak Co Sdn. Bhd. by virtue of his substantial shareholding in Pan Sarawak Holdings Sdn. Bhd..

26 Commitments

(a) Capital commitment

Capital expenditure not provided for in the financial statements is as follows:

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--|------------------|---------------------|------------|-----------------------|
| Authorised and contracted for | 1,731,400 | 31,500,192 | - | 24,177,019 |
| Authorised and not contracted for | 6,745,197 | 31,228,291 | - | 24,000,000 |
| | <u>8,476,597</u> | <u>62,728,483</u> | <u>-</u> | <u>48,177,019</u> |
| Analysed as follows: | | | | |
| - Property, plant and equipment | 8,476,597 | 16,963,483 | - | 2,412,019 |
| - Acquisition of rights in timber licence | - | 24,000,000 | - | 24,000,000 |
| - Acquisition of Sarawak Plywood (M) Sdn. Bhd. | - | 21,765,000 | - | 21,765,000 |
| | <u>8,476,597</u> | <u>62,728,483</u> | <u>-</u> | <u>48,177,019</u> |

Notes to the Financial Statements

26 Commitments (con'd)

(b) Operating lease commitments

The future minimum lease payments under non-cancellable operating are as follows:

| | 2003 RM | Group 2002 RM |
|--|----------------|---------------------|
| Not later than 1 year | 96,600 | 96,600 |
| Later than 1 year and not later than 5 years | 193,200 | 193,200 |
| | <u>289,800</u> | <u>289,800</u> |

27 Contingent liabilities (unsecured)

| | 2003 RM | Group 2002 RM | 2003 RM | Company 2002 RM |
|--|------------------|---------------------|-------------------|-----------------------|
| Guarantees provided for banking facilities of subsidiaries | - | - | 77,045,000 | 54,045,000 |
| Guarantees to the Forest Department of the State of Sarawak for extension of timber licences | 5,820,000 | 5,420,000 | 5,820,000 | 5,420,000 |
| Guarantees to the Labour Department for foreign workers employed | 812,700 | 827,400 | 20,600 | - |
| | <u>6,632,700</u> | <u>6,247,400</u> | <u>82,885,600</u> | <u>59,465,000</u> |

Notes to the Financial Statements

28 Financial instruments

(a) Forward foreign exchange contract

Forward foreign exchange contract is entered into by the Company and a subsidiary in currency other than its functional currency to manage exposure to fluctuations in foreign currency exchange rate on specific transaction. In general, the Group's policy is to enter into forward foreign exchange contracts for confirmed foreign currency receipts and payments when it is deemed necessary.

At 31 January 2003, the settlement date on open forward contract is 14 days. The foreign currency amounts and contractual exchange rate of the Group's outstanding contract are as follows:

| Hedged item | Currency to be received/paid | RM equivalent | Contractual rate |
|---------------------------------|------------------------------|---------------|------------------|
| Trade receivable: USD205,192 | US Dollar | 779,689 | 1RM = USD0.2632 |
| Trade payable: JPY7,100,000 | Japanese Yen | 225,375 | 1RM = JPY31.503 |

The fair values of outstanding forward contracts of the Group at the balance sheet date approximated their book values.

(b) Credit risk

The Group and Company has no significant concentrations of credit risk except that the majority of its deposits are placed with major financial institutions in Malaysia.

(c) Fair values

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values except as set out below:

| | Carrying amount RM | Group Fair value RM | Carrying amount RM | Company Fair value RM |
|----------------------|-----------------------|------------------------|-----------------------|--------------------------|
| Long term receivable | 25,213,086 | 16,807,358 | 25,213,086 | 16,807,358 |

Notes to the Financial Statements

29 Segment reporting

The Group adopts business segment analysis as its primary reporting format and geographical segment as its secondary reporting format.

The Group is organised into two main business segments:

- Logs trading - Extraction and sale of logs
- Manufacturing - Manufacturing and trading of plywood, veneer, raw and laminated particleboard, sawn timber, finger joint moulding and supply of energy.

Intersegment revenue comprise sales of logs and sawn timber between the logs trading and manufacturing segment on terms negotiated between the parties concerned.

(a) Primary reporting format - business segments

Financial year ended 31 January 2003

| | Logs Trading RM | Manufacturing RM | Group RM |
|----------------------|-----------------------|---------------------|--------------|
| Revenue | | | |
| Total revenue | 237,519,217 | 208,913,229 | 446,432,446 |
| Intersegment revenue | (73,412,171) | (2,041,263) | (75,453,434) |
| External revenue | 164,107,046 | 206,871,966 | 370,979,012 |

Notes to the Financial Statements

29 Segment reporting (con'd)

(a) Primary reporting format - business segments (con'd)

Results

| | Logs Trading RM | Manufacturing RM | Group RM |
|--|-----------------------|---------------------|-------------|
| Profit from operations | 25,239,767 | 27,746,296 | 52,985,608 |
| Finance costs | | | (6,864,623) |
| Profit from ordinary activities before tax | | | 46,120,985 |
| Tax | | | (8,926,439) |
| Net profit for the financial year | | | 37,194,546 |

As at 31 January 2003

Other information

| | | | |
|-------------------------------|-------------|-------------|-------------|
| Segment assets | 298,372,800 | 268,034,969 | 566,407,769 |
| Unallocated assets | | | 2,903,057 |
| Total assets | | | 569,310,826 |
| Segment liabilities | 168,378,590 | 57,840,159 | 226,218,749 |
| Total liabilities | | | 226,218,749 |
| Capital expenditure | 10,698,607 | 31,722,825 | 42,421,432 |
| Depreciation | 1,266,667 | 19,127,474 | 20,394,141 |
| Amortisation of timber rights | 14,054,013 | - | 14,054,013 |

Notes to the Financial Statements

29 Segment reporting (con'd)

(a) Primary reporting format - business segments (con'd)

Financial year ended 31 January 2002

| | Logs Trading RM | Manufacturing RM | Group RM |
|----------------------|-----------------------|---------------------|--------------|
| Revenue | | | |
| Total revenue | 201,647,630 | 187,753,833 | 389,401,463 |
| Intersegment revenue | (65,819,946) | (2,756,598) | (68,576,544) |
| External revenue | 135,827,684 | 184,997,235 | 320,824,919 |

Results

| | Logs Trading RM | Manufacturing RM | Group RM |
|--|-----------------------|---------------------|--------------|
| Loss from operations | (7,356,880) | (6,251,779) | (13,608,659) |
| Finance costs | | | (6,424,278) |
| Loss from ordinary activities before tax | | | (20,032,937) |
| Tax | | | 27,508 |
| Net loss for the financial year | | | (20,005,429) |

As at 31 January 2002

Other information

| | | | |
|-------------------------------|-------------|-------------|-------------|
| Segment assets | 287,163,823 | 249,092,116 | 536,255,939 |
| Unallocated assets | | | 4,845,545 |
| Total assets | | | 541,101,484 |
| Segment liabilities | 180,767,619 | 63,260,713 | 244,028,332 |
| Total liabilities | | | 244,028,332 |
| Capital expenditure | 19,181,825 | 8,680,243 | 27,862,068 |
| Depreciation | 279,618 | 18,431,040 | 18,710,658 |
| Amortisation of timber rights | 12,538,973 | - | 12,538,973 |

Notes to the Financial Statements

29 Segment reporting (con'd)

(b) Secondary reporting format - geographical segments

In determining the geographical segments of the Group, revenue are based on the country in which the customer is based.

With the exception of the countries disclosed below, no other individual country contributed more than 10% of consolidated revenue.

| | 2003 RM | 2002 RM |
|-----------------|--------------------|--------------------|
| South Korea | 82,412,180 | 50,127,141 |
| Malaysia | 62,140,642 | 56,137,366 |
| Japan | 50,471,806 | 73,164,687 |
| India | 41,557,763 | 22,966,541 |
| Taiwan | 41,504,699 | 23,911,416 |
| Vietnam | 29,063,821 | 15,110,229 |
| Other countries | 63,828,101 | 79,407,539 |
| | <u>370,979,012</u> | <u>320,824,919</u> |

30 Comparatives

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

| | 2002 RM | As restated RM |
|--------------------------------|------------------|-------------------|
| Consolidated income statement: | | |
| Other operating income | 6,373,567 | 1,295,307 |
| Other operating expenses | (21,377,166) | (16,299,906) |
| | <u>6,373,567</u> | <u>1,295,307</u> |

List of Properties

| Location | Tenure | Existing Use | Land Area (Hectares) | Approximate Age of Building | Net Book Value as at 31/01/03 RM | Date of Acquisition |
|--|---|----------------------------------|----------------------|-----------------------------|----------------------------------|---------------------|
| Subur Tiasa Plywood Sdn Bhd | | | | | | |
| Lot 96, Block 16, Seduan Land District | Leasehold land expiring on 31 Dec, 2031 | vacant | 2.315 | - | 478,265 | 04.09.1998 |
| Lot 97, Block 16, Seduan Land District | Leasehold land expiring on 31 Dec, 2026 | vacant | 1.5621 | - | 425,331 | 09.10.1996 |
| Lot 270, Block 16, Seduan Land District | Leasehold land expiring on 31 Dec, 2026 | vacant | 2.035 | - | 593,147 | 08.01.1995 |
| Lot 272, Block 16, Seduan Land District | Leasehold land expiring on 31 Dec, 2026 | vacant | 2.286 | - | 696,321 | 28.01.1995 |
| Lot 1494, Block 16, Seduan Land District | Leasehold land expiring on 31 Dec, 2029 | vacant | 0.1921 | - | 76,920 | 25.08.1997 |
| Lot 1495, Block 16, Seduan Land District | Leasehold land expiring on 25 Sep, 2057 | factory office welfare building | 24.054 | 14 years | 25,196,028 | 31.03.1989 |
| Lot 101, Block 16, Seduan Land District | Leasehold land expiring on 31 Dec, 2029 | vacant | 2.185 | - | 716,542 | 31.07.2000 |
| Lot 103, Block 16, Seduan Land District | Leasehold land expiring on 31 Dec, 2029 | vacant | 1.4043 | - | 460,585 | 31.07.2000 |
| R H Timber Processing Industries Sdn Bhd | | | | | | |
| Lot 250, Block 10, Sibau Town District (9, Jalan Poh Yew, 96000 Sibau) | Leasehold land expiring on 10 Jun, 2050 | Residential Use | 0.1104 | 11 years | 1 | 01.07.1992 |
| Lot 482, Block 18, Seduan Land District (7A, Jalan Maludan Utara, 96000 Sibau) | Leasehold land expiring on 07 Apr, 2052 | Residential Use | 0.0312 | 10 years | 103,359 | 13.07.1993 |
| Lot 113, Block 3, Sare Land District | Leasehold land expiring on 02 May, 2053 | factory office, welfare building | - | 11 years | 409,148 | 01.07.1992 |
| Subur Tiasa Particleboard Sdn Bhd | | | | | | |
| Lot 1495, Block 16, Seduan Land District | Leasehold land expiring on 25 Sep, 2057 | factory office, welfare building | - | 9 years | 20,617,927 | 30.12.1994 |
| Trimogreen Sdn Bhd | | | | | | |
| Lot 113, Block 3, Sare Land District | Leasehold land expiring on 02 May, 2053 | factory office, welfare building | - | 10 years | 2,680,200 | 31.12.1993 |
| Homert Raya Sdn Bhd | | | | | | |
| Lot 82, Block 3, Sare Land District | Leasehold land expiring on 22 Sep, 2052 | factory office, building | - | 8 years | 482,395 | 09.01.1995 |
| Sarawak Plywood (M) Sdn Bhd | | | | | | |
| Kuala Temala, Baram | | factory office, welfare building | - | 20 years | 457,308 | 01.01.1983 |
| Lot 247, Block 9, Beautiful Jade Centre, Miri Concession Land District | Leasehold land expiring on 27 Jun, 2039 | office building | 0.0111 | 23 years | 1 | 20.05.1980 |
| Subur Tiasa Holdings Bhd | | | | | | |
| Lot 854-866, Block 10, Sibau Town District | Leasehold land expiring on 30 Sep, 2054 | office building | 0.2123 | 2 years | 12,584,139 | 01.06.2001 |

Analysis of Shareholdings

as at 30 May 2003

| | | |
|--------------------------|---|-------------------------------|
| Authorised Share Capital | : | RM1,000,000,000.00 |
| Paid-up Share Capital | : | RM 200,000,000.00 |
| Class of Share | : | Ordinary Share of RM1.00 each |
| Voting Right | : | 1 vote per Ordinary Share |

| Holdings | No. of Holders | Total Holdings | % |
|---|----------------|--------------------|---------------|
| less than 100 | 2 | 56 | 0.00 |
| 100 to 1,000 | 4,225 | 4,218,826 | 2.11 |
| 1,001 to 10,000 | 3,309 | 12,659,487 | 6.33 |
| 10,001 to 100,000 | 374 | 9,559,310 | 4.78 |
| 100,001 to less than 5% of issued shares | 57 | 44,739,542 | 22.37 |
| 5% and above of issued shares | 6 | 128,822,779 | 64.41 |
| Total | 7,973 | 200,000,000 | 100.00 |

List of Thirty Largest Shareholders

as at 30 May 2003

| | No. of ordinary shares of RM1.00 each | Percentage (%) |
|--|---------------------------------------|----------------|
| 1. Tiong Toh Siong Holdings Sdn. Bhd. | 61,682,405 | 30.84 |
| 2. Raya Abadi Sdn. Bhd. | 16,130,984 | 8.07 |
| 3. Kinta Hijau Sdn. Bhd. | 16,130,983 | 8.07 |
| 4. Bahagia Abadi Timber Industries Sdn. Bhd. | 13,130,983 | 6.57 |
| 5. Twintop Sdn. Bhd. | 11,747,424 | 5.87 |
| 6. Mayban Nominees (Tempatan) Sdn. Bhd. - DBS Bank for Twintop Sdn. Bhd. | 10,000,000 | 5.00 |
| 7. Zen Tak Properties Sdn. Bhd. | 6,557,000 | 3.28 |
| 8. Permodalan Nasional Berhad | 4,945,200 | 2.47 |
| 9. DB (Malaysia) Nominee (Asing) Sdn. Bhd. - UBS AG Singapore for Pacific Investment Fund | 3,499,000 | 1.75 |
| 10. Tiong Toh Siong & Sons Sdn. Bhd. | 3,340,012 | 1.67 |
| 11. HSBC Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Bahagia Abadi Timber Industries Sdn. Bhd. | 3,000,000 | 1.50 |
| 12. OSK Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Wong Yiing Ngik | 1,862,000 | 0.93 |
| 13. Teck Sing Lik Enterprise Sdn. Bhd. | 1,589,716 | 0.79 |
| 14. HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC SG for Tiong Ik King | 1,400,000 | 0.70 |
| 15. Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Tiong Thai King | 1,309,067 | 0.65 |
| 16. Tiong Toh Siong Holdings Sdn. Bhd. | 1,185,000 | 0.59 |
| 17. AMSEC Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Tiong Kiong King | 1,111,289 | 0.56 |
| 18. Tiong Ik King | 1,080,000 | 0.54 |
| 19. Diong Hiew King @ Tiong Hiew King | 900,584 | 0.45 |
| 20. HSBC Nominees (Asing) Sdn. Bhd. - JPMorgan Chase Bank for Roxton Investments Limited | 890,440 | 0.45 |
| 21. Tiong Chiong Ong | 847,058 | 0.42 |
| 22. Public Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Law Cheng King | 718,749 | 0.36 |
| 23. Prihartta Development Sdn. Bhd. | 620,310 | 0.31 |
| 24. Lembaga Tabung Haji | 532,560 | 0.27 |
| 25. HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak | 532,560 | 0.27 |
| 26. Mayban Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Koperasi Polis Diraja Malaysia Bhd | 532,560 | 0.27 |
| 27. Minister Of Finance - Akaun Jaminan Pinjaman Kerajaan Persekutuan | 517,560 | 0.26 |
| 28. Lembaga Tabung Angkatan Tentera | 514,560 | 0.26 |
| 29. Mayban Nominees (Asing) Sdn. Bhd. - DBS Bank for Bloomswick Ltd. | 506,000 | 0.25 |
| 30. Public Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Law Cheng King Enterprise Sdn. Bhd. | 373,347 | 0.19 |
| | 167,187,351 | 83.61 |

List of Substantial Shareholders

as at 30 May 2003

| Name | No of Shares | | |
|---|--|---|--------------------------------------|
| | Direct Interest (registered in own name) | Direct Interest (held Through Nominees) | Deemed Interest |
| 1. Tiong Toh Siong Holdings Sdn. Bhd. | 62,867,405 (31.43%) | - | 25,087,436 ^{*1} (12.54%) |
| 2. Raya Abadi Sdn. Bhd. | 16,130,984 (8.07%) | - | - |
| 3. Kinta Hijau Sdn. Bhd. | 16,130,983 (8.07%) | - | - |
| 4. Bahagia Abadi Timber Industries Sdn. Bhd. | 13,130,983 (6.57%) | 3,000,000 (1.50%) | - |
| 5. Twintop Sdn. Bhd. | 11,747,424 (5.87%) | 10,000,000 (5.00%) | - |
| 6. Teck Sing Lik Enterprise Sdn. Bhd. | 1,589,716 (0.79%) | - | 87,954,841 ^{*2} (43.98%) |
| 7. Tan Sri Datuk Diong Hiew King @ Tiong Hiew King | 1,056,305 (0.53%) | - | 89,544,557 ^{*3} (44.77%) |
| 8. YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh | - | 300,000 (0.15%) | 16,130,983 ^{*4} (8.07%) |

*1 Deemed interested by virtue of substantial shareholding in Twintop Sdn. Bhd. and Tiong Toh Siong & Sons Sdn. Bhd.

*2 Deemed interested by virtue of substantial interest in Tiong Toh Siong Holdings Sdn. Bhd., Twintop Sdn. Bhd. and Tiong Toh Siong & Sons Sdn. Bhd.

*3 Deemed interested by virtue of substantial shareholding in Twintop Sdn. Bhd., Tiong Toh Siong Holdings Sdn. Bhd., Tiong Toh Siong & Sons Sdn. Bhd. and Teck Sing Lik Enterprise Sdn. Bhd.

*4 Deemed interested by virtue of his substantial shareholding in Kinta Hijau Sdn. Bhd.

(This page is deliberately left blank)

Subur Tiasa Holdings Berhad (Company No. 341792-W) (Incorporated in Malaysia)

Form of Proxy

I/We _____ (Name in full) _____ (IC/Passport/Company No.) of _____ (Address) being a member/members of the abovenamed Company hereby appoint _____ (Name in full) of _____ (Address) or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Eighth Annual General Meeting of the Company to be held at the Company's Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibul, Sarawak on Wednesday, 30 July 2003 at 11.00 am and any adjournment thereof.

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

My/our proxy is to vote as indicated below :-

| No. | Resolutions | For | Against |
|-----|--|-----|---------|
| 1. | Adoption of Audited Financial Statements and Reports. | | |
| 2. | Approval of the payment of Directors' fees. | | |
| 3. | Re-election of Mr. Tiong Kiong King as Director. | | |
| 4. | Re-election of YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh as Director. | | |
| 5. | Re-appointment of YABhg. Datuk Patinggi Tan Sri Dr. Wong Soon Kai as Director. | | |
| 6. | Re-appointment of Messrs. PricewaterhouseCoopers as Auditors. | | |
| | Special Businesses : | | |
| 7. | Ordinary Resolution - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. | | |
| 8. | Ordinary Resolution - Proposed Renewal of Authority for the Purchase of Own Shares. | | |
| 9. | Ordinary Resolution - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. | | |

Shareholding Represented by Proxy

Dated this _____ day of _____ 2003

Signature of shareholder(s)/common seal

Notes :-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy to attend the said meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his 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.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibul, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

The Secretary
Subur Tiasa Holdings Berhad

No 66 - 78, Pusat Suria Permata
Jalan Upper Lanang, C.D.T. No 123
96000 Sibu, Sarawak
Malaysia

