

ANNUAL REPORT 2003



BERNAS
PADIRERAS NASIONAL BERHAD
(25514-U)



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History

Padiberas Nasional Berhad (BERNAS) came into being with the taking over of Lembaga Padi dan Beras Negara's (LPN) role as the custodian of Malaysian paddy and rice industry when the latter was privatised in January 1996. BERNAS continued to perform an important role in the national paddy and rice industry and also assumed all social and commercial obligations previously undertaken by LPN. These include conserving, maintaining and managing the National Paddy/Rice Stockpile, representing the government on the management and disbursement of subsidies to paddy farmers, managing the Bumiputera Rice Miller Scheme, purchasing paddy from farmers at guaranteed minimum price and acting as the buyer of last resort. In return, BERNAS was given the responsibility to be the sole importer of rice into Malaysia till 2010, with the option for renewal for another five years, subject to approval. On 25 August 1997, BERNAS was listed on the Kuala Lumpur Stock Exchange main board, marking a historical significance.

BERNAS has continued to evolve through the integration of its supply chain with existing players at the international level of wholesaling, farming, processing and supplying. With this solid foundation, BERNAS has managed to overcome challenges including the 97/98 regional financial crisis.

As a corporate citizen, BERNAS is dedicated towards ensuring continuous rice supply at affordable prices to feed the nation, by optimising its supply network, infrastructure and distribution network. It also places particular concern on improving its environmental management, emphasising on effective rice husk disposal as well as diversification into other product lines utilising the potential of its by-products.

Today, BERNAS is just as committed to remain as a responsible organisation in meeting and possibly exceeding the needs of consumers, providing optimum return to its shareholders and a stimulating and satisfying working environment for its 1,697 employees. Achievement of our objectives remains as the driving force in herding the organisation to greater heights of success and acknowledgement.

Diversification into other related business activities has led to greater market penetration and a more established ground. The Group is currently working to emerge as a world-class competitor following the Asean Free Trade Area.



Looking ahead, in facing the challenges of globalisation, BERNAS will continue its endeavour into new and profitable frontiers – synergising with other food producers, enhancing its diversification of resources into related and other businesses, deepening linkages with related sectors to increase its product range and services; to provide the very best of variety and excellence in its mission to attain a competitive edge in the era of globalisation.

Vision

As a leading force in the Malaysian rice industry, we aspire to sustain significant presence in the rice business of Asia. Beyond that, we envisage ourselves venturing into new frontiers to emerge as a well-diversified food conglomerate – in line with our strategic direction to strengthen our position as a leading player in the food industry in Asia. In conducting our business, we solemnly pledge to always uphold the Malaysian flag in consideration of our nation's overall perspective.



Mission

Along the journey to achieve our humble vision, we will execute our obligations with full commitment balancing all requirements of stakeholders, whilst ensuring optimum return to our shareholders emphasising on the highest standards in quality, distribution and service to our customers.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 10th Annual General Meeting of Padiberas Nasional Berhad (“the Company”) will be held at Dewan Bunga Tanjung, Kelab Shah Alam Selangor, Persiaran Istana Kayangan, Section 13, 40740 Shah Alam, Selangor Darul Ehsan on 24 June 2004 at 10.00 am, for the following purposes:

To receive and adopt the Audited Accounts for the financial year ended 31 December 2003 together with the Report of the Directors and Auditors thereon. *RESOLUTION 1*

To approve the payment of a sum of RM310,000 as Directors’ fees for the financial year ended 31 December 2003. *RESOLUTION 2*

To re-elect the following Directors who retire in accordance with the Articles of Association of the Company:

Article 110 (2)

Datuk Azizan Bin Ayob *RESOLUTION 3*
Datuk Mohd Hashim Bin Hassan *RESOLUTION 4*
Dato’ Syed Fakhri Barakbah Bin Tun Syed Sheh Barakbah *RESOLUTION 5*

Article 115

Abdul Rahim Bin Mokti *RESOLUTION 6*
YB Haji Mohd Narodin Bin Haji Majais *RESOLUTION 7*
Dato’ Abi Musa Asa’ari Bin Mohamed Nor *RESOLUTION 8*

To re-appoint Messrs Hanafiah Raslan & Mohamad as Auditors and to authorise the Directors to fix their remuneration. *RESOLUTION 9*

As special business, to consider and if thought fit, to pass the following ordinary resolution:-

I. **Proposed Renewal of Shareholders’ Mandate And Approval For New Recurrent Transactions For The BERNAS Group To Enter Into Recurrent Related Party Transactions of a Revenue or Trading Nature**

THAT approval be and is hereby given to the Company and its subsidiaries to enter into and give effect to specified recurrent related party transactions of a revenue or trading nature and with specified classes of the related parties as stated in Section 2.2.1 of the Circular to Shareholders dated 1 June 2004 which are necessary for the Group’s day to day operations subject further to the following:-

- i. the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders;
- ii. disclosure shall be made in the annual report of the Company on the breakdown of the aggregate value of the transactions conducted pursuant to the proposed renewal of the shareholders’ mandate for the recurrent related party transactions and approval of the new recurrent related party transactions as disclosed in Section 2.2.1 of the Circular to Shareholders dated 1 June 2004, during which the shareholders’ mandate shall remain in force, amongst others, based on the following information:
 - The type of recurrent related party transactions; and
 - The names of the related parties involved in each type of recurrent related party transaction entered into and their relationship with the Company.

AND THAT approval shall continue in force until:-

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

AND THAT, for avoidance of doubt, all transactions to be entered into by BERNAS Group as disclosed in Section 2.2.1 of the Circular to the Shareholders dated 1 June 2004 for the period from 25 June 2004 until 24 June 2005 be and are hereby approved AND THAT the Directors and/or any one of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

RESOLUTION 10

II. Authority to Directors to Issue Shares Pursuant to Section 132D of the Act

THAT pursuant to Section 132D of the Act, the Directors be and are hereby empowered to issue shares of the Company at any time until the conclusion of the next Annual General Meeting of the Company 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 capital of the Company for the time being and that the Directors are also empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad.

RESOLUTION 11

To transact any other business of which due notice shall have been given.

By Order of the Board

AZLINA BINTI HASAN BASHRI (LS008142)

Company Secretary

Petaling Jaya

1 June 2004

NOTES :

1. *Proxy*
 - *A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead.*
 - *A proxy may but need not be a member of the Company.*
 - *Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.*
 - *The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.*
 - *The instrument appointing a proxy or representative shall be deposited at the registered office of the Company of Level 19, CP Tower, No 11, Section 16/11, Jalan Damansara, 46350 Petaling Jaya, Selangor not less than forty eight (48) hours before the time for holding the meeting or any adjournment thereof.*
2. *Resolution 10 - This general mandate will permit the BERNAS Group to enter into specified recurrent related party transactions of a revenue or trading nature and with specified classes of the related parties as stated in Section 2.2.1 of the Circular to Shareholders dated 1 June 2004 and the approval shall continue in force until the conclusion of the next Annual General Meeting of the Company or revoked or varied by resolution passed in general meeting.*
3. *Resolution 11 - This authorisation will empower Director to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.*

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors standing for re-election at the 10th Annual General Meeting of the Company

- Pursuant to Article 110 (2) of the Company's Articles of Association
(Appointed during the year)
 - Datuk Azizan Bin Ayob
 - Datuk Mohd Hashim Bin Hassan
 - Dato' Syed Fahkri Barakbah Bin Tun Syed Sheh Barakbah
- Pursuant to Article 115 of the Company's Articles of Association
(Retirement by rotation)
 - Abdul Rahim Bin Mokti[^]
 - YB Haji Mohd Naroden Bin Haji Majais
 - Dato' Abi Musa Asa'ari Bin Mohamed Nor[^]

* Refer to page 8-11 for the Directors' Profile

2. Board of Directors Meeting

During the financial year ended 31 December 2003 and up to the date of this report of 19 April 2004, the Board held 12 meetings of which ten Board Meetings were held during the financial year ended 31 December 2003. The attendance of the Board Meetings in 2003 are as follows:-

Directors	Total Attendance
Dato' Seri Mohamad Noor Bin Abdul Rahim	9/10
Dohat Bin Shafiee	10/10
Saiful Adnan Bin Abdul Majid	10/10
Dato' Abi Musa Asa'ari Bin Mohamed Nor [^]	6/10
Datuk Dr Sulaiman Bin Mahbob	6/10
Abdul Rahim Bin Mokti [^]	4/10
YB Haji Mohd Naroden Bin Haji Majais	9/10
Bukhari Bin Mohd Sawi	9/10
Abdul Rahman Bin Datuk Haji Dahlan	8/10
Datuk Azizan Bin Ayob (Appointed on 30 September 2003)	2/2
Datuk Mohd Hashim Bin Hassan (Appointed on 13 October 2003)	1/1
Dato' Syed Fahkri Barakbah Bin Tun Syed Sheh Barakbah (Appointed on 13 October 2003)	1/1
Cik Normi Binti Nordin (Appointed on 13 October 2003) (Alternate Director to Abdul Rahim Bin Mokti)	1/1
Dato' Siti Balkish Binti Shariff (Appointed on 29 July 2003) (Alternate Director to Dato' Abi Musa Asa'ari Bin Mohamed Nor)	Nil
Dato' Mohd Ibrahim Bin Mohd Nor (Resigned on 13 October 2003)	7/8
Yahya Bin Abu Bakar (Resigned on 30 September 2003)	8/8
Dato' Ahmad Zabri Bin Ibrahim (Resigned on 13 October 2003)	8/8
Dato' Baseri Bin Lamsah (Resigned on 29 July 2003) (Alternate Director to Dato' Abi Musa Asa'ari Bin Mohamed Nor)	2/6
Hasnan Bin Hassan (Resigned on 13 October 2003) (Alternate Director to Abdul Rahim Bin Mokti)	6/8

[^] Directors appointed by Minister of Finance (Incorporated) ("Special Shareholder")

Details of the Board meetings

Date & Time	Venue
18 February 2003, 3.00 p.m.	Petaling Jaya, Selangor
27 February 2003, 3.00 p.m.	Petaling Jaya, Selangor
1 April 2003, 2.30 p.m.	Petaling Jaya, Selangor
29 April 2003, 2.30 p.m.	Petaling Jaya, Selangor
27 May 2003, 2.30 p.m.	Petaling Jaya, Selangor
23 June 2003, 2.30 p.m.	Petaling Jaya, Selangor
31 July 2003, 9.30 a.m.	Petaling Jaya, Selangor
26 August 2003, 10.00 a.m.	Petaling Jaya, Selangor
17 October 2003, 10.00 a.m.	Petaling Jaya, Selangor
21 November 2003, 3.00 p.m.	Petaling Jaya, Selangor
6 January 2004, 9.30 a.m.	Petaling Jaya, Selangor
25 February 2004, 9.30 a.m.	Petaling Jaya, Selangor

CORPORATE INFORMATION

REGISTERED OFFICE/ CORPORATE HEADQUARTERS	Level 19, CP Tower No 11, Section 16/11 Jalan Damansara 46350 Petaling Jaya Selangor Darul Ehsan Tel : 03 – 7660 4545 Fax : 03 – 7660 4646 Toll Free Line : 1-800-18-1128 Website: www.bernas.com.my
PRINCIPAL BANKERS	RHB Bank Berhad Affin Bank Berhad Standard Chartered Bank Malaysia Berhad Malayan Banking Berhad Bank Islam (M) Berhad Bumiputra Commerce Bank Berhad Bank Simpanan Nasional Bank Muamalat (M) Berhad
COMPANY SECRETARY	Azlina Binti Hasan Bashri (LS008142)
AUDITORS	Messrs Hanafiah Raslan & Mohamad Public Accountants Level 23A, Menara Milenium Jalan Damanlela, Pusat Bandar Damansara Bukit Damansara, 50490 Kuala Lumpur
SHARE REGISTRAR	Shareworks Sdn Bhd (229948-U) <i>(formerly known as Panama Resources Sdn Bhd)</i> No 23, Jalan Sri Hartamas 7 Sri Hartamas 50400 Kuala Lumpur
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad (Main Board) Stock Name : BERNAS Stock Code : 6866

BOARD OF DIRECTORS

Datuk Mohd Hashim Bin Hassan

Chairman
Independent Non-Executive Director
Chairman of Audit Committee
Member of Nomination Committee
Member of Finance Committee

Age	59
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ▪ B.Agr Sc (Hons), University Malaya ▪ M.Sc (Food Science), Michigan State University, USA ▪ MBA, Ohio University, USA
Experience	<ul style="list-style-type: none"> ▪ Food Technologist, Ministry of Agriculture (1970-1975) ▪ Senior Food Technologist, MARDI (1975-1979) ▪ Group Manager Research & Development, FIMA (1979-1980) ▪ Director & Senior Research Officer, Project Development Division, MARDI (1980-1981) ▪ Director & Senior Research Officer, Food Technology Division, MARDI (1981-1985) ▪ Manager, Harrison Malaysia Plantation Berhad (1985) ▪ General Manager, Kumpulan FIMA Berhad (1985-1990) ▪ Group Technical Director, Executive Director, Fima Metal Box Bhd (1990-1992) ▪ Executive Director, Gula Padang Terap Berhad (1992-1993) ▪ CEO, Kedah State Development Corporation (1993-1996) ▪ Managing Director, Kulim Technology Park Corp (1994-1996) ▪ Executive Chairman, Bina Darulaman Berhad (1994-1997) ▪ Director/CEO (1996-2002), Deputy Chairman (2002-2003), Chairman (2003-Present), Putrajaya Holdings Sdn Bhd
Other Directorships Of Public Companies	<ul style="list-style-type: none"> ▪ Director, Lebar Daun Berhad ▪ Deputy Chairman, KUB Malaysia Berhad ▪ Director, Bank Kerjasama Rakyat Malaysia Berhad
Appointed to the Board	13 October 2003, elected Chairman on 1 March 2004
Attendance for Board meetings	1/1

Abdul Rahim Bin Mokti

Non-Independent Non-Executive Director
Member of Audit Committee

Age	54
Nationality	Malaysian
Qualification	Bachelor of Economics (Hons), University Malaya
Profession	Secretary Coordination of Minister of Finance (Incorporated) Companies, Privatisation and Public Enterprise Unit, Ministry of Finance
Experience	<ul style="list-style-type: none"> ▪ Malaysian Trade Commissioner in Paris (1978), followed by Milan and Saudi Arabia ▪ Served in Federal Treasury
Other Directorships of Public Companies	<ul style="list-style-type: none"> ▪ Kedah Cement Holdings Berhad ▪ Bintulu Port Holdings Berhad ▪ Penang Port Holdings Berhad
Appointed to the Board	29 February 2001
Attendance for Board meetings	4/10

Datuk Dr. Sulaiman Bin Mahbob

Non-Independent Non-Executive Director
Member of Remuneration Committee

Age	56
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ▪ B.A (Hons) Econs, University Malaya ▪ M.Sc (Agric. Econs), University of London ▪ PhD (Development Planning), Syracuse University, New York
Profession	Secretary General, Ministry of Domestic Trade and Consumer Affairs
Experience	Served Malaysian civil service for 32 years. Among others, in the Economic Planning Unit, Ministry of Finance and the National Economic Action Council
Other Directorships of Public Companies	None
Appointed to the Board	7 January 2002
Attendance for Board meetings	6/10

Dato' Abi Musa Asa'ari Bin Mohamed Nor

Non-Independent Non-Executive Director

Age	55
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ▪ Bachelor of Economics (Hons), University Malaya ▪ MBA, University of Birmingham, UK
Profession	Secretary General, Ministry of Agriculture and Agro-Based Industry
Experience	<ul style="list-style-type: none"> ▪ Deputy Director, Administration & Finance, National Bureau of Investigation (1977-1979) ▪ Programme Coordinator, Public Industry, INTAN (1980-1985) ▪ Deputy Director, Petroleum Development Division, Prime Minister's Department (1988-1991) ▪ Deputy Director, Establishment, Public Service Department (1991-1995) ▪ Deputy Director, Budget Division, Treasury of Malaysia (1995-1998) ▪ Director General of FAMA (1998-2000)
Other Directorships of Public Companies	None
Appointed to the Board	10 April 2001
Attendance for Board meetings	6/10

YB Haji Mohd Naroden Bin Haji MajaisIndependent Non-Executive Director
Member of Audit Committee
Member of Nomination Committee

Age	51
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ▪ Bachelor of Arts, University of New England, Australia ▪ MBA, University of Ohio, USA
Profession	State Assemblyman for Simunjan, Sarawak
Experience	<ul style="list-style-type: none"> ▪ Deputy State Election Officer, State Election Commission (1980-1983) ▪ Chairman/Managing Director of PPES Bena Sdn Bhd (1988-1992) ▪ Senior Project Officer, Property Development Division, SEDC (1989-1990) ▪ Company Director of Embun Pelangi Sdn Bhd, Nirwana Muhibbah Sdn Bhd, Spekon Sdn Bhd, Utraco Construction Sdn Bhd (1992-Present)
Other Directorships of Public Companies	None
Appointed to the Board	19 May 2000
Attendance for Board meetings	9/10

Abdul Rahman Bin Datuk Haji Dahlan

Independent Non-Executive Director

Age	39
Nationality	Malaysian
Qualification	Bachelor in Economics and Management, Sonoma State University (SSU), California State University System, Rohnert Park, California, USA
Profession	<ul style="list-style-type: none"> ▪ Political Secretary to the Chief Minister Of Sabah ▪ Managing Director of H.R.P.M Consulting (M) Sdn Bhd
Experience	<ul style="list-style-type: none"> ▪ Business Development Officer, Ace Averberg Sdn Bhd ▪ General Manager, Ace Commercial Enterprise Sdn Bhd
Other Directorships of Public Companies	None
Appointed to the Board	15 October 2002
Attendance for Board meetings	8/10

Bukhari Bin Mohd SawiNon-Independent Non-Executive Director
Member of Remuneration Committee

Age	53
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ▪ Bachelor of Arts in History, University Malaya ▪ MBA, Universiti Kebangsaan Malaysia
Profession	General Manager, NAFAS
Experience	<ul style="list-style-type: none"> ▪ Assessment Officer, Inland Revenue Department ▪ Senior Manager, NAFAS ▪ State Director, Lembaga Pertubuhan Peladang Pahang (1987)
Other Directorships of Public Companies	None
Appointed to the Board	26 April 1996
Attendance for Board meetings	9/10

Dohat Bin Shafiee

Non-Independent Non-Executive Director
Member of Tender Committee

Age	60
Nationality	Malaysian
Profession	Director of Yayasan Basmi Kemiskinan Negeri Perlis
Experience	<ul style="list-style-type: none">▪ Supervisor of the Primary School Unit, Perlis Education Department▪ Malaysian Students Officer, Brighton, UK
Other Directorships of Public Companies	None
Appointed to the Board	29 February 1996
Attendance for Board meetings	10/10

Saiful Adnan Bin Abdul Majid

Independent Non-Executive Director

Age	40
Nationality	Malaysian
Qualification	<ul style="list-style-type: none">▪ Bachelor of Economics (Hons), University of Kent, England▪ Malaysian Institute of Certified Public Accountants (MICPA)
Profession	Financial Consultant
Experience	<ul style="list-style-type: none">▪ Public Accountant, Arthur Anderson▪ Financial Consultant in numerous organisations
Other Directorships of Public Companies	None
Appointed to the Board	29 March 2002
Attendance for Board meetings	10/10

Dato' Syed Fahkri Barakbah Bin Tun Syed Sheh Barakbah

Independent Non-Executive Director
Chairman of Finance Committee
Member of Audit Committee

Age	57
Nationality	Malaysian
Qualification	<ul style="list-style-type: none">▪ Bachelor of Economics (Hons), majoring in Public Administration from University Malaya▪ Fellow of the Institute of Chartered Accountants in England and Wales (Qualified with Peat Marwick Mitchell & Co London)
Profession	Financial Advisor to President/CEO, Tenaga Nasional Berhad (TNB)
Experience	<ul style="list-style-type: none">▪ Financial Controller, Highlands & Lowlands Berhad (1981-1985)▪ Financial Controller, Kumpulan Guthrie Berhad (1985-1988)▪ Group Finance Director, Golden Hope Plantations Berhad (1988-1993)▪ Group Finance Director, Sime Darby Berhad (1993-1998)▪ Vice President (Finance) of TNB (1998-2002)
Other Directorships of Public Companies	<ul style="list-style-type: none">▪ Tradewinds (M) Berhad▪ PERNAS International Holdings Berhad
Appointed to the Board	13 October 2003
Attendance for Board meetings	1/1

Datuk Azizan Bin Ayob

Non-Independent Non-Executive Director
Chairman of Nomination Committee
Chairman of Remuneration Committee
Chairman of Tender Committee
Member of Finance Committee

Age	58
Nationality	Malaysian
Qualification	<ul style="list-style-type: none">Bachelor of Arts (Hons) in Economy, University MalayaMaster in Public Administration, University of Southern California, USA
Profession	<ul style="list-style-type: none">Managing Director, Puncak Semangat Technology Sdn BhdDirector, Commerce Dot Com Sdn Bhd
Experience	<ul style="list-style-type: none">Administrative & Diplomatic Officer, National Unity Dept (1971)Administrative Officer, Veterinary Department, Ministry of Land and Agriculture (1971)Principal Assistant Director, Administrative & Finance (1974); Service Division (1977), Public Services DeptDeputy Director, Service Division, Public Services Dept (1982)Deputy Director, Training & Career Development Division, Public Services Dept (1985)Deputy Director General, Local Government Dept, Ministry of Housing and Local Government (1991)Director General, National Registration Dept of Malaysia (1997-2003)
Other Directorships of Public Companies	None
Appointed to the Board	30 September 2003
Attendance for Board meetings	2/2

Save as disclosed, none of the Directors has:-

- 1 Any family relationship with any other Directors and/or major shareholders;
- 2 Any conflict of interest with the Company; and
- 3 Any conviction for offences within the past ten years other than traffic offences.

RESIGNATIONS

Dato' Seri Mohamad Noor Bin Abdul Rahim resigned with effect from 1 March 2004.

Dato' Mohd Ibrahim Bin Mohd Nor resigned with effect from 13 October 2003.

Dato' Ahmad Zabri Bin Ibrahim resigned with effect from 13 October 2003. Yahya Bin Abu Bakar resigned with effect from 30 September 2003.

Dato' Baseri Bin Lamsah resigned as Alternate Director to Dato' Abi Musa Asa'ari Bin Mohamed Nor with effect from 29 July 2003.

Hasnan Bin Hassan resigned as Alternate Director to Abdul Rahim Bin Mokti with effect from 13 October 2003.

Dato' Siti Balkish Binti Shariff

Alternate Director to Dato' Abi Musa Asa'ari bin Mohamed Nor

Age	54
Nationality	Malaysian
Qualification	<ul style="list-style-type: none">Bachelor of Economics (Hons), University MalayaMaster of Business Administration, American University, Washington D.C
Profession	Deputy Secretary General (Development), Ministry of Agriculture and Agro-Based Industry
Experience	<ul style="list-style-type: none">Assistant Director, Finance & Communication, ICU (1973-1979)Principal Assistant Director, Agriculture Sector, EPU (1980-1988)Deputy State Secretary and Director of Penang Economic Planning Unit (1990-1999)General Manager, Penang Development Corporation (1999-2003)
Other Directorships of Public Companies	None
Appointed to the Board	29 July 2003

Normi Binti Nordin

Alternate Director to Abdul Rahim bin Mokti
Member of Finance Committee

Age	46
Nationality	Malaysian
Qualification	<ul style="list-style-type: none">B.Soc.Sc. (Hons) Economy, Universiti Sains MalaysiaMBA, Finance, Oklahoma City University, USA
Profession	<ul style="list-style-type: none">Principal Assistant Secretary of Minister of Finance (Incorporated) Companies, Privatisation and Public Enterprises Unit, Ministry of Finance
Experience	<ul style="list-style-type: none">Assistant Director, Ministry of Trade and IndustryAssistant Secretary, Ministry of Public EnterprisesAssistant Director, Implementation and Coordination Unit, Prime Minister's DepartmentPrincipal Assistant Secretary, Ministry of Rural Development
Other Directorships of Public Companies	None
Appointed to the Board	13 October 2003
Attendance for Board meetings	1/1

BOARD COMMITTEE

Audit Committee	Datuk Mohd Hashim Bin Hassan YB Haji Mohd Naroden Bin Haji Majais Dato' Syed Fakhri Barakbah Bin Tun Syed Sheh Barakbah Abdul Rahim Bin Mokti
Nomination Committee	Datuk Azizan Bin Ayob Datuk Mohd Hashim Bin Hassan YB Haji Mohd Naroden Bin Haji Majais
Remuneration Committee	Datuk Azizan Bin Ayob Datuk Dr Sulaiman Bin Mahbob Bukhari Bin Mohd Sawi
Finance Committee	Dato' Syed Fakhri Barakbah Bin Tun Syed Sheh Barakbah Datuk Mohd Hashim Bin Hassan Datuk Azizan Bin Ayob Normi Binti Nordin
Tender Committee	Datuk Azizan Bin Ayob Dohat Bin Shafiee

MANAGEMENT COMMITTEE

Ahmad Fuad Bin Abdul Wahab Chief Executive Officer	Wan Razif Bin Wan Musa Head, Operations Division
Hamim Bin Yusuf Chief Operating Officer	Mohd Khusaini Bin Haji Harumaini Head, Corporate Planning & Research Department
Mohd Nazri Bin Md Shariff Chief Financial Officer	Mohd Roslan Bin Bani Amin Head, Entrepreneur Development Department
Dr Larry Wong Chee Yoong Advisor	Haji Abdul Kadir Bin Haji Abdullah Regional General Manager, Sabah
Haji Zainuri Bin Kurmain Head, Production Division	Mohammed Kamaluddin Bin Mohd Effendie Regional General Manager, Sarawak
Jenny Yow Ngan Chee Head, Finance Division	Asiah Binti Alimuda Chief Operating Officer, Bernas Production Sdn Bhd
Abd Rahim Bin Ahmad Head, Human Resources & Administration Division	Azlina Binti Hasan Bashri Company Secretary

AUDIT COMMITTEE REPORT

Chairman[#]

Datuk Ahmad Zabri Bin Ibrahim*

(Independent Non-Executive Director)

Members[#]

YB Haji Mohd Naroden Bin Haji Majais

(Independent Non-Executive Director)

Abdul Rahim Bin Mokti[^]

(Non-Independent Non-Executive Director)

Saiful Adnan Bin Abdul Majid

(Independent Non-Executive Director)

**The Committee were subsequently changed in April 2004 as presented on page 12 of this Annual Report.*

TERMS OF REFERENCE

Composition

The Committee shall be appointed by the Board of Directors and shall consist of not less than three members, 2/3 or majority of whom must be Independent Directors.

Objective of the Audit Committee

The principal objective of the Committee is to assure the shareholders of the Company that the Company has complied with specified financial standards and required disclosure policies developed and administered by the Bursa Malaysia Securities Berhad.

Duties and Responsibilities of the Audit Committee

The duties and responsibilities of the Committee include inter alia, the following:-

- i. Assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and companies under its group;
- ii. Oversee all matters relating to external audit including the review of the audit plan and audit report as well as making recommendation on their appointment and remuneration (as required);
- iii. Review and approve the adequacy of internal audit scope and plan, functions and resources of the internal audit functions;
- iv. Review the financial statements of the Company and the consolidated financial statements of the Group;
- v. Review the assistance and cooperation given by the Company's officers to the external and internal auditors;
- vi. Review any related party transaction that may arise within the Company or the Group; and
- vii. Undertake such other responsibilities as the Committee and the Board may think appropriate.

Powers of the Audit Committee

In carrying out its duties and responsibilities, the Committee will in principle have full, free and unrestricted access to all the Company's records, properties and personnel.

The Committee shall have the authority to obtain, at the expense of the Company, external legal or other independent professional advice if it considers necessary.

ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2003, the Audit Committee held a total of 7 meetings to deliberate the quarterly and the year-end financial statements.

The attendance of the Committee members are as follows:-

Name of Directors	No. of Meetings Attended
Dato' Ahmad Zabri Bin Ibrahim*	6/6
YB Haji Mohd Naroden Bin Haji Majais	6/7
Abdul Rahim Bin Mokti [^]	1/7
Saiful Adnan Bin Abdul Majid	7/7

* *Dato' Ahmad Zabri resigned on 13 October 2003*

[^] *Directors appointed by Special Shareholder*

During the financial year, the Committee undertook the following activities:-

1. Assisted the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practice of the Company and companies within the Group in accordance with the Generally Accepted Accounting Practice.
2. Reviewed the external audit terms of engagement, the audit strategy, the proposed audit fee and the achievement of the agreed reporting timeframes for the audit of the financial statements.
3. Kept under review the effectiveness of internal control system within the Group and determine the state of Internal Control and Corporate Governance within the Group.
4. Reviewed the management reports and external audit reports and discuss any problems and reservations arising thereon.
5. Reviewed the internal audit plan, methodology, functions and resources and advise on the appointment of internal audit services.
6. Reviewed major findings on internal audit reports and management response and promoted coordination between internal auditors and all relevant parties for effective and efficient audit.
7. Reviewed the degree of assistance and cooperation given by Company officers to the external and internal auditors.
8. Reviewed any related party transactions that may arise within the Company and the Group.

INTERNAL AUDIT FUNCTION

The Board and the Audit Committee are assisted by the Internal Audit Department in maintaining a sound system of internal controls to provide reasonable assurance against any irregularities arising from the daily operational activities.

The Internal Audit Department responsibilities are to give an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the Company and Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and governance process via the following:

1. Conducts reviews and evaluations of management practices and procedures within the Group and the reviews will include but are not limited to:
 - i. Evaluations of internal control systems to determine their adequacy for the protection of Company's assets and resources, the production of accurate and reliable information, and the assurance on the compliance of policies, procedures and guideline.
 - ii. Determinations as to whether Group's resources are being utilised in an economical and efficient manner, including the underlying causes of any inefficiencies or wasteful practices.
 - iii. Determinations as to whether desired results or benefits are being achieved from approved programmes.
 - iv. Formulating recommendations to management for improvement in, or correction of, inefficient practices and procedures.
2. Conducts special studies of procedural or problem areas as requested or directed by Audit Committee and Management.
3. Reviews the existing systems to ensure that they are adequately defined, properly justified, and include the necessary internal controls.
4. Prepares formal reports on the results of completed reviews, discusses these reports with appropriate levels of management, as deemed appropriate.
5. Conducts follow-up on prior recommendations to determine whether Management has corrected the previously reported conditions or whether such conditions still exist.
6. Operates independently to assure complete objectivity when conducting reviews and evaluations.

The Internal Audit Department undertakes the internal audit function based on the audit plan, which is continuously reviewed and updated taking into account the changing nature of the Group's operations. The internal audit reports prepared by the Department are deliberated by the Audit Committee of the Board and recommendations made are acted upon by the Management.

STATEMENT ON CORPORATE GOVERNANCE

Statement On Corporate Governance

The Board of Directors' of Padiberas Nasional Berhad ("the Board") remains committed in achieving and maintaining the highest standards of Corporate Governance throughout the Group.

The Board views Corporate Governance as a process and structure used to direct and manage the business of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective to safeguard the interest of all stakeholders.

The Board is pleased to provide the following statement, which outlines the report on the compliance of the Group that was in place throughout the financial year.

A. DIRECTORS

Composition of the Board

The current Board comprises of five Independent Non-Executive Directors (including the Chairman) and six Non-Executive Directors. A brief profile of each Director is presented on page 8 to 11 of this Annual Report.

The roles of Chairman and Chief Executive Officer are clearly defined in their individual position description. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Chief Executive Officer is responsible with the overall operation of business on a day-to-day basis as well as the implementation of Board's policies and procedures.

The Board is satisfied with the current Board composition, which fairly reflects the investment of the shareholders of the Company.

Board Responsibilities

The Board retains full and effective control of the Company. The Board is responsible for the Company's objective, policies and stewardship of the Company's resources.

The Board ordinarily meets at least four times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be made between the scheduled meetings. During the financial year ended 31 December 2003, the Board met on ten occasions, where it deliberated upon and considered variety of matters including the Group's financial results, major investments, strategic decisions and direction of the Company. The number of Board meetings and the details of attendance of each individual director are disclosed as part of the Directors' profile and in the Statement Accompanying Notice of Annual General Meeting.

Supply of information

The Directors are provided with an agenda and a full set of Board papers in advance of each Board meetings. This ensures that the Directors have sufficient time to understand and appreciate each issue to be deliberated at the Board meeting and expedites decision-making process.

The Directors have direct access to the advice and services of the Company Secretary and professional advice at the Company's expense where required in carrying out their duties.

Board Committees

The Board of Directors delegates certain responsibilities to the Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee in order to enhance business and operational efficiency as well as efficacy. In addition, the Tender Committee and Finance Committee were duly formed in January and April 2004 respectively.

The Board Committees operate within clearly defined terms of reference and operating procedures, and the Board receives reports of their proceedings and deliberations. The Chairman of the various committees will report to the Board on the outcome of the Committee meetings.

Appointments of the Board

The Nomination Committee¹ comprises the following members during the year:-

1. YB Haji Mohd Naroden Bin Majais
2. Dato' Seri Mohamad Noor Bin Abdul Rahim
3. Dato' Ahmad Zabri Bin Ibrahim (resigned on 13 October 2003)

¹*The members of the Nomination Committee were subsequently changed in April 2004 as presented on page 12 of this Annual Report.*

The Committee had recommended on the appointment of Datuk Azizan Bin Ayob, Datuk Mohd Hashim Bin Hassan and Dato' Syed Fahkri Barakbah Bin Tun Syed Sheh Barakbah to the Board of BERNAS, in accordance with the selection criteria denominated in the Directors Nomination Form.

Directors' Training

During the financial year, all of the Directors have attended the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM) save and except for Cik Normi Binti Nordin.

Apart from the MAP, site visits and presentation are conducted for the new members of the Board.

Re-election

In accordance with the Company's Articles of Association, one third of the Board shall be subject to retirement by rotation at each Annual General Meeting ("AGM"). In any case, each Director shall retire from office at least once every three years.

These retiring Directors shall be eligible for re-election. Newly appointed Directors shall hold office until the next Annual General Meeting and shall be eligible for re-election. The election of each Director is voted separately. To assist shareholders in their decision, sufficient information is furnished in the Statement Accompanying Notice of AGM on page 6 of this Annual Report.

B. DIRECTORS' REMUNERATION

The Remuneration Committee¹ consists exclusively of Non-Executive Directors, which comprised the following members during the year:-

1. Bukhari Bin Mohd Sawi
2. Dohat Bin Shafiee
3. Dato' Mohd Ibrahim Bin Mohd Nor (resigned on 13 October 2003)
4. Dato' Ahmad Zabri Bin Ibrahim (resigned on 13 October 2003)

¹The members of the Remuneration Committee were subsequently changed in April 2004 as presented on page 12 of this Annual Report.

The Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration packages of Directors.

Information prepared by independent consultants and survey data on the remuneration practices are taken into consideration in determining the remuneration packages for both executive and non-executive Directors.

The fees payable to each of the Non-Executive Directors are approved at the Annual General Meeting based on the recommendation of the Board. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as directors.

Details of the Directors' remuneration for the financial year ended 31 December 2003 are as follows:-

<u>Aggregate Remuneration Category</u>	<u>Executive</u>	<u>Non-Executive</u>
Salary and other emoluments (RM)	956,868 [#]	-
Fees (RM)	-	310,000
Benefits-in-kind (RM)	6,114	-
Total	962,982	310,000

The number of Directors whose total remuneration falls within the following bands are as follows:-

<u>Range of Remuneration (RM)</u>	<u>Executive</u>	<u>Non-Executive</u>
1-50,000	1 [*]	15 [*]
50,001-350,000	-	1
350,001-650,000	-	-
650,001- 950,000	-	-
Above 950,000	1 [#]	-

^{*} Certain Director of the Company was an Executive Director up to February 2003 and subsequently became a Non-Executive Director up to October 2003.

[#] Inclusive of payment of Voluntary Separation Scheme compensation.

C. SHAREHOLDERS

The Company acknowledges the importance of communication channel between the Board, shareholders and other stakeholders. The annual reports, quarterly financial results, press release and corporate announcements are the primary modes of disseminating information on the Group's performance and operation.

It has been the Company's practice to send the Notice of AGM and related papers to shareholders at least twenty-one days before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. A press conference is normally held immediately after the AGM for the Board to clarify and explain any issues raised.

D. ACCOUNTABILITY & AUDIT

Financial Reporting

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and the Company at the end of the accounting period and their profit and loss and cash flow for the period then ended. The Board receives the recommendation to adopt the financial statements from the Audit Committee, which assesses the financial statement with the assistance of the external auditors. The Directors' Responsibility Statement is enclosed in page 40 of this Annual Report.

Statement of Internal Control

The Statement of Internal Control is enclosed in page 20 of this Annual Report.

Relationship with the Auditors

The Board through the establishment of Audit Committee maintains a formal and transparent arrangement with the Company's Auditors. The external auditors independently report their conclusions and recommendation to the Audit Committee and from time to time, bring to the attention, of any significant deficiency in the Group's system of control.

This statement is made in accordance with the resolution of the Board of Directors dated 23 April 2004.

STATEMENT ON INTERNAL CONTROL

Introduction

The Bursa Malaysia requires the Board of Directors of public listed companies to include in its annual report a “statement about the state of internal control of the listed issuer as a group”. The Board of Directors is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2003.

Responsibility of the Board

The Board is ultimately responsible for the Group’s system of internal control that includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity.

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. Whilst the Board maintains ultimate control over risk and control issues, it has delegated to the executive management the implementation of a system of risk management and internal control within an established framework. This framework encompasses the Company and its subsidiary companies and will be expanded to include material associate companies in the future.

Nevertheless, because of the inherent limitations in any system of internal control, this system is designed to manage, rather than eliminate the risk of failure in achieving corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls.

Risk management framework

Management is responsible for the management of risk, for developing, operating and monitoring the system of internal control and providing assurance to the Board that it has done so in accordance with the policies adopted by the Board.

The Board believes that maintaining a sound system of internal control is based on a clear understanding and appreciation of the following key elements of the Group’s risk management framework:

- A formal risk policy has been established;
- A risk management structure which outlines the lines of reporting and responsibility at the Board, Audit Committee, Risk Management Department and management levels has been established;
- Risk appetite (qualitative and quantitative) for the Group and individual business units have been articulated so as to gauge acceptability of risk exposure;
- The management’s implementation of a group-wide risk assessment process include the identification of key risks facing each business, the potential impact and likelihood of those risks occurring, the control effectiveness and the action plans to manage those risks to the desired level. This process is ongoing and has been completed for key business units of the Group. The Group expects to complete the risk assessment process for the remaining business units by the end of 2004;
- The establishment of the Risk Management Department since the previous financial year ensures that there is direction and coordination of the group-wide application of risk management; and
- Ongoing risk management education and training is provided at management and staff levels.

Internal audit function

Internal audit reviews the internal controls within the key activities of the Group's businesses on the basis of an internal audit strategy and detailed annual internal audit plan presented to the Audit Committee for approval. The internal audit function adopts a risk based approach and prepares its audit strategy and plan based on risk profiles of the major business units of the Group. Internal audit reports on the audit findings together with recommendations for corrective actions are reviewed by the Audit Committee. The internal audit findings are reported to the Board by the Audit Committee based on the frequency of internal audit cycles set out in the internal audit strategic plan.

Other key elements of internal control

The other key elements of the Group's internal control system are described below:

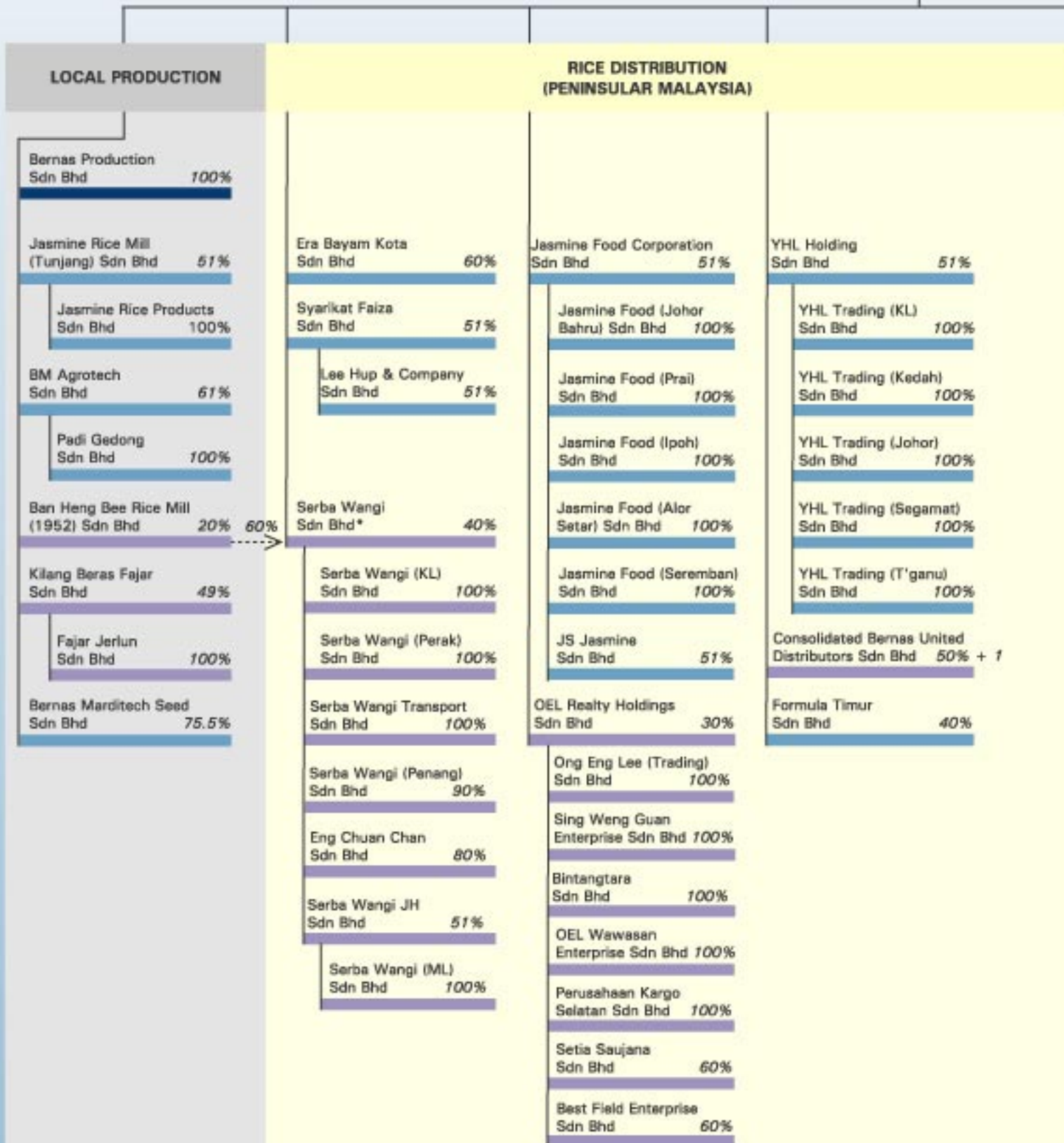
- Clearly defined delegation of responsibilities of the Board, the executive management to the operational units of the Group including authority limits for all aspects of the business;
- Key Business processes of the major business units are governed by formalised and well documented policies and procedures;
- Internal audit exercises are systematically organised periodically, to monitor compliance with procedures to assess the integrity of the financial information provided;
- The management and the Board are provided with regular and comprehensive financial information which includes a review over the Group's financial performance and assets and liabilities positions. This is done through the use of key performance and risk indicators;
- Detailed and systematic budgeting process in which respective heads of departments and divisions prepare budgets for the coming financial year and subsequent financial quarters; and
- The Chief Executive Officer reports to the Board on significant changes in the business and the external environment.

Conclusion

The Board is of the view that the existing system of internal control is adequate. However, continuous effort is being made to further enhance these controls to ensure a more effective and efficient system of internal control.

This statement is made in accordance with the resolution of the Board of Directors dated 23 April 2004.

CORPORATE STRUCTURE



**RICE DISTRIBUTION
(EAST MALAYSIA)**

Beras Corporation Sdn Bhd	100%
Sazarice Sdn Bhd	68%
Dayabest Sdn Bhd	100%
Haskarice Food Sdn Bhd	51%
Ban Say Tong Sdn Bhd	51%
Hock Chiong Foodstuff Sdn Bhd	51%
Tong Seng Huat Rice Trading Sdn Bhd	51%

**BY-PRODUCTS
OPERATION**

Bernas Dominals Sdn Bhd	100%
Bernas Chaff Products Sdn Bhd	51%
Rasayang Food Industries Sdn Bhd	50%
Bernas Feedstuff Sdn Bhd	49%
Organigro Sdn Bhd	7.13%

OVERSEAS VENTURES

Bernas Overseas (L) Limited	100%
Bernas China Corporation	95%
Qaiser Noman Berhad (Pvt) Ltd	50%
Asian Peninsula Corporation Ltd	49%
Peninsula Logistics Corporation Ltd	50%

OTHER BUSINESS

Bernas Logistics Sdn Bhd	100%
Societe Bernas De Guinee	80%
Gardenia Bakeries (KL) Sdn Bhd	30%
Everyday Bakery & Confectionery Sdn Bhd	100%
Gardenia Sales & Distribution Sdn Bhd	30%
Keongco Holdings Sdn Bhd	20%
Cosmo Restaurant Sdn Bhd	

Wholly-owned
Companies

Subsidiary
Companies

Associate
Companies

*BERNAS has effective shareholding in Serba Wangi Sdn Bhd of 52% via its direct and indirect shareholding.

□ Interest in the company is in preference shares only.

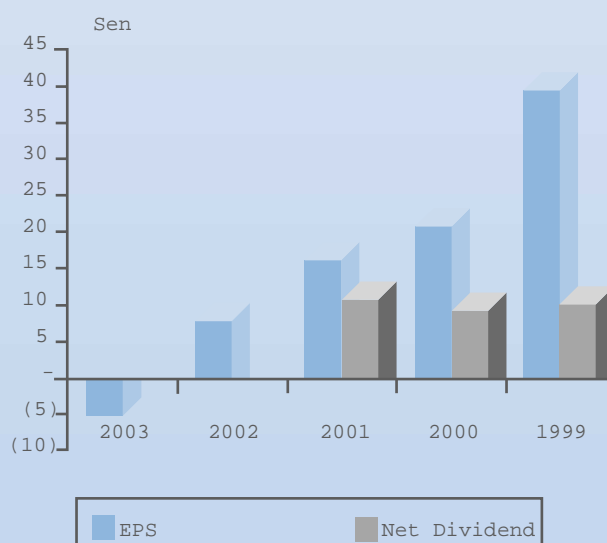
FINANCIAL HIGHLIGHTS

	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000	1999 RM'000
TURNOVER					
Group	1,824,738	1,763,800	1,679,863	1,791,799	1,902,191
Company	935,585	697,894	881,043	917,064	1,164,229
PROFIT BEFORE TAXATION					
Group	(3,438)	58,989	128,245	94,972	120,467
Company	(11,782)	36,999	98,500	62,230	89,823
TOTAL TANGIBLE ASSETS					
Group	1,282,869	1,177,619	1,263,445	1,098,229	1,057,731
Company	1,098,309	958,269	1,008,226	916,731	934,851
NET TANGIBLE ASSETS					
Group	609,269	615,227	618,567	544,001	480,227
Company	576,690	584,777	552,445	498,858	459,391

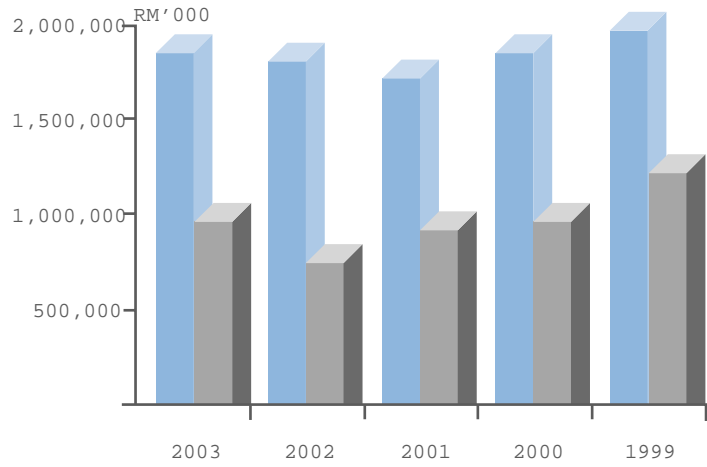
	Sen	Sen	Sen	Sen	Sen
OTHERS - GROUP					
EPS	(4.3)*	8.20	16.10	19.88	37.94
Net dividend	-	-	10.00	7.50	10.00

* Calculated after the charge of exceptional items.

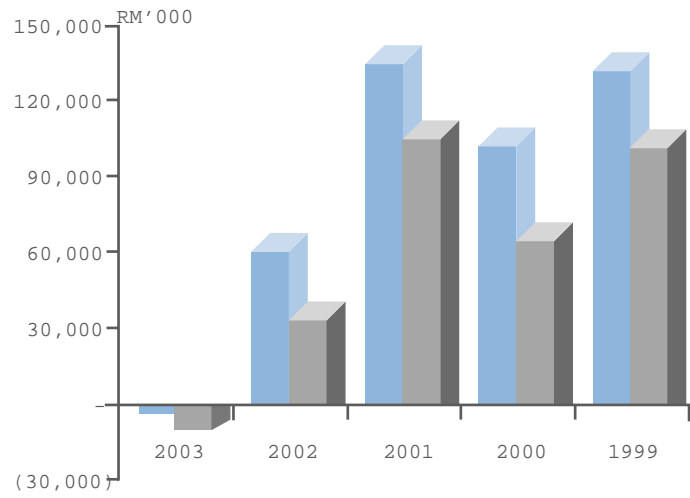
OTHERS - GROUP



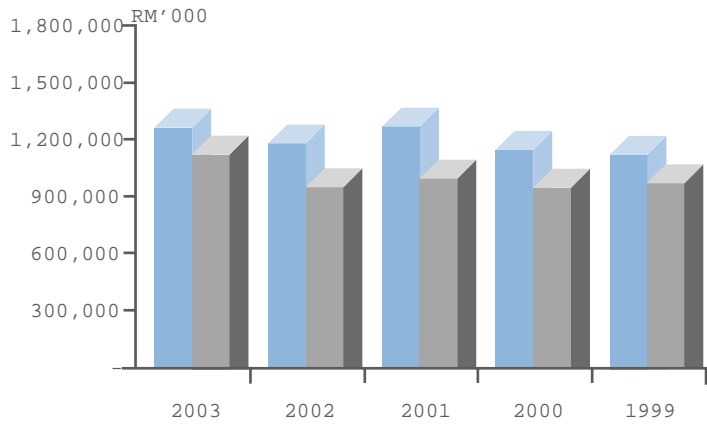
TURNOVER



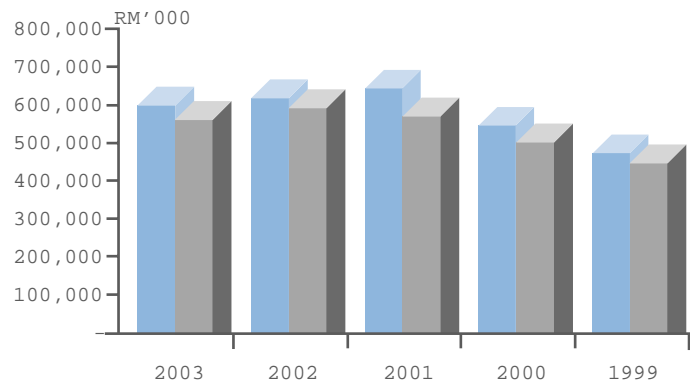
PROFIT BEFORE TAXATION



TOTAL TANGIBLE ASSETS



NET TANGIBLE ASSETS



CHAIRMAN'S STATEMENT



Dear Shareholders,

As the paddy and rice industry goes through the throes of impending trade liberalisation, the ability to efficiently move brands and commodities through a sturdy distribution network becomes one of the key factors in ensuring survival. BERNAS has responded to these challenges through the collective action and the closing of ranks of all the stakeholders in the rice industry by working towards achieving a common goal in becoming more efficient and competitive. Towards this end, BERNAS has also streamlined its internal operations and business processes to improve efficiency, which included optimising its resources and re-organising strategic assets. In preparing ourselves to rise to the challenges ahead, I call upon the BERNAS Group and the industry as a whole to continuously be more diligent in addressing issues on efficiency, product quality, and customer service.

The costs incurred in its Voluntary Separation Scheme exercise during the year have masked BERNAS Group's true performance. The BERNAS Group recorded a total revenue of RM 1.82 billion for the financial year 31 December 2003, an increase of 3.4 percent compared with RM 1.76 billion recorded in the previous year. The Group's pre-tax profit and before exceptional item increased by 28 percent to RM 75.52 million from RM 58.99 million the previous year. No dividend has been declared in respect of the year ended 31 December 2003.

I would like to express my heartfelt appreciation to my predecessor, YBhg Dato' Seri Mohamad Noor Bin Abdul Rahim for his wise counsel while serving the Board. My appreciation also goes to the previous Board of Directors who have provided valuable direction to the company namely YBhg Dato' Mohd Ibrahim Bin Mohd Nor, YBhg Dato' Ahmad Zabri Bin Ibrahim, YBhg Dato' Baseri Bin Lamsah as the Alternate Director to Dato' Abi Musa Asa'ari Bin Mohamed Nor, Encik Hasnan Bin Hassan as the Alternate Director to Encik Abdul Rahim Bin Mokti and Encik Yahya Bin Abu Bakar. I am truly grateful for their insight and advice whilst serving on the Board.

I would also like to welcome on board, YBhg Datuk Azizan Bin Ayob, YBhg Dato' Syed Fakhri Barakbah Bin Tun Syed Sheh Barakbah, YBhg Dato' Siti Balkish Binti Shariff as the Alternate Director to YBhg Dato' Abi Musa Asa'ari Bin Mohamed Nor and Cik Normi Binti Nordin as the Alternate Director to Encik Abdul Rahim Bin Mokti. I am confident that they will contribute to the growth and development of the Group with the wealth of experience and knowledge they had accumulated over the years.

Together with my fellow Board Members, our appreciation goes to the various relevant Government Ministries and agencies that have supported us in our operations. Not forgetting our appreciation to all our business partners, clients and financial institutions. To the management team and employees at all levels of the BERNAS Group, I would like to express my utmost gratitude for their continuous support, dedication and diligence. And to our employees who have opted for the VSS, I wish them all the best in their future undertakings. Last but not least, I would like to thank the shareholders for their continued confidence in the Board and the Management of the BERNAS Group.

On behalf of the Board of Directors, I hereby present to you the Annual Report and Audited Accounts of the BERNAS Group for the financial year ended 31 December 2003.

DATUK MOHD HASHIM BIN HASSAN
Chairman

CEO'S REVIEW

To Our Fellow Shareholders and Employees,

BERNAS IN RETROSPECT

The year 2003 marked BERNAS' seventh year into privatisation and about midway into the 15 years of sole importer rights accorded by the Government. Looking back, BERNAS' origin can be traced to the establishment of Lembaga Padi dan Beras Negara (LPN) in 1971, primarily to guide the development of the paddy and rice industry by focusing on the orderly progress and stability of the industry. Notably, BERNAS, being a successor to LPN, 'inherited' the exclusive right to import rice into Malaysia for a period of 15 years until 2010 (with a possible extension for another 5 years) in return for performing specific duties and social obligations as enshrined in the privatisation agreement with the Government. Essentially, this requires BERNAS to perform the delicate and often daunting "balancing act" where it needs to balance the interests of its shareholders with that of farmers, consumers, other stakeholders in the rice supply chain and that of the nation.

RATIONALISATION AND TRANSFORMATION

Linking and Managing the Supply Chain

At the outset of privatisation, BERNAS prioritised the transformation of its corporate culture and way of doing business in tandem with the commercialisation drive within BERNAS as well as in the whole industry whilst continuing balancing the interests of the nation, the consumers and the farmers as its *raison d'être*. Recognising that this transformation will take time and the impending challenges accompanying the increasing trend in globalisation in trade, goods and services, we had to quickly adopt the supply chain strategy. Globalisation can indeed be a desirable development in many ways: freer competition/market mechanism, equal market access which can even lead to liberated inventive and entrepreneurial skills and perhaps can lead to accelerated economic growth. Thus the dictum: 'survival of the fittest'. Under the globalised environment, markets are designed to facilitate freer exchange of goods and services amongst willing participants, but are not capable, on their own, of taking care of collective needs or social justice.

Consequently, the role that BERNAS undertook served as a solution in the midst of such conflict. Particularly in our country's case, it is about achieving the balance between the collective needs of the farmers and the consumers.

It is prudent to point out that because of the 'protected' nature of our rice industry arising from Government policies and subsidisation, the rice industry, and in consequence BERNAS because of its front-line status, is expected to be among the first to be severely tested.

Taken in this light, it should be clear that BERNAS' sustained performance and improved market position in this liberalising environment over the years did not happen by chance. It happened by choice.



Through smooth and turbulent times we stuck to our elected strategic thrusts of linking and managing the rice supply chain as well as forging an international supply and trading network through strategic alliances at both domestic and international levels. Consequently, the basic foundation or infrastructure of a food superhighway was quickly put in place by elaborate integration and management of the rice supply chain efforts and has since progressed to increasingly new levels of cohesiveness and excellence. Subsequently, BERNAS embarked on a horizontal integration strategy, evident by the Group's synergistic relationships with established food players. At the international front, the Group developed step by step a strong network spanning Thailand, Pakistan, People's Republic of China and further afield.

In retrospect, linking up and managing the rice supply chain from seed-to-shelf which essentially involved getting people along the supply chain to co-operate, collaborate and to work together towards a longer over arching goal was one of the most difficult, albeit most satisfying achievements for the Group.

We are convinced that linking and managing the chain will ultimately lead to economic benefits and efficiency which can then be transmitted back to and shared out between the various components of the chain. In rice business, there can be sudden variations in weather, currencies, prices, and supply and demand. BERNAS has to deal with these vagaries so that prices and supply to the market do not vary violently. By effectively linking the supply chain, impact on costs can be absorbed in a more spread manner. This was indeed proven during the regional financial crisis in 1997. When currencies realigned sharply, the whole supply chain was severely tested. During the financial crisis, other players who were unable to absorb the losses when the currencies shifted, quickly went

In the short span of seven years, at the aggregate level, BERNAS now satisfies more than 50 percent of the nation's rice demand and accounts for 33 percent of branded rice sold directly to retailers and hypermarkets. This is a huge share, especially for staple food.

CHALLENGES / INDUSTRY ISSUES

Along the way, we had to contend with various recurrent issues. One of the most persistent and potentially most damaging, a precursor to free market/ a test of competitiveness is that of unabated smuggling of rice. Rice smuggling has taken on a new dimension since 2000, moving beyond traditional cross border activities to using new means via transshipment and containers as well as involving new sources (for example Vietnam and India) and new destinations (for example Sabah and Sarawak). With the opening of markets through trade liberalisation, the level of rice smuggling activities can potentially be more rampant. As a defensive move, BERNAS is taking all the necessary steps to become a low-cost distributor so as to be able to match the prices set by the illegal traders, thereby curbing smuggling activities to a tolerable level.

Relatedly, BERNAS applauds the Government's move to track down and curb rice smuggling activities by launching well coordinated large-scale anti-smuggling operations at borders and ports. With the operations being led by a committee formed by the

regulators which involved officials from the Royal Customs and Excise Department, the Immigration Department, the Royal Malaysian Police of the Internal Security Ministry, Kawalselia Padi of the Ministry of Agriculture and Agro-Based Industry, the Enforcement Division of the Ministry of Domestic Trade and Consumer Affairs, the Information Ministry and other Government agencies, the tireless and collaborative efforts to eradicate rice smuggling have made a difference. For example, BERNAS' import volume has shown an improvement, an increase of 6 percent to 508,000 metric tonnes in 2003 compared to 478,000 metric tonnes in the previous year.

Rice smuggling is, however, basically encouraged by the existence of a cost efficiency gap resulting from lower rice prices in the international market as compared to the domestic local prices. BERNAS believes that in the medium and longer term, *economic or market solutions are required* and this could only be done with the co-operation of all parties in the industry to narrow the efficiency gap so that rice smuggling is no longer considered lucrative. It is imperative that the fundamentals of the industry be reviewed in view of the industry's future direction.

to the Government for aid. BERNAS, however, not only soldiered on its own but held back the pass through of the rising prices of imported rice so much so that consumer prices were stable over the 1997-98 period, unlike that of neighbouring countries where rice prices sky rocketed and even led to incidences of civil unrest. Another effect of this elected strategy is the increasingly cost efficient manner in which our other duties and obligations such as stockpiling, buyer of last resort and bumiputera millers scheme were discharged.

Consolidation Efforts

At the outset of privatisation, we also rationalised that without a significant presence at the wholesale and retail levels, we will be unable to stabilise either the supply or the price of rice. Consequently, in a series of acquisitions and strategic alliances, BERNAS built a seed-to-shelf presence in the industry over a short period of time. This included the establishment of strategic joint ventures with key regional wholesalers as well as the Rice Wholesalers Association of Malaysia to quickly develop an elaborate distribution network.



CURRENT INITIATIVES

In many important ways I am lucky. I took over the reins of the company after BERNAS' fundamentals and foundations were already well laid by my predecessors and have only to build on our past gains and make the necessary on-course corrections as dictated by the dynamic changes unfolding around us. In consequence, I am able to focus on undertaking bold measures in getting back to basics: essential steps which will enable BERNAS to emerge leaner, meaner and all poised to face the future with added vigour. We elected to 'cut cost to survive and innovate to prosper'. Armed with a refreshed entrepreneurial attitude, BERNAS views the impending market liberalisation as competition that requires it to strive to be the most efficient producer and distributor. Responding to the impending freer trade under Asean Free Trade Area (AFTA) and World Trade Organisation (WTO), the focus of BERNAS is towards restructuring its costs and functions so as to emerge more competitive and relevant.

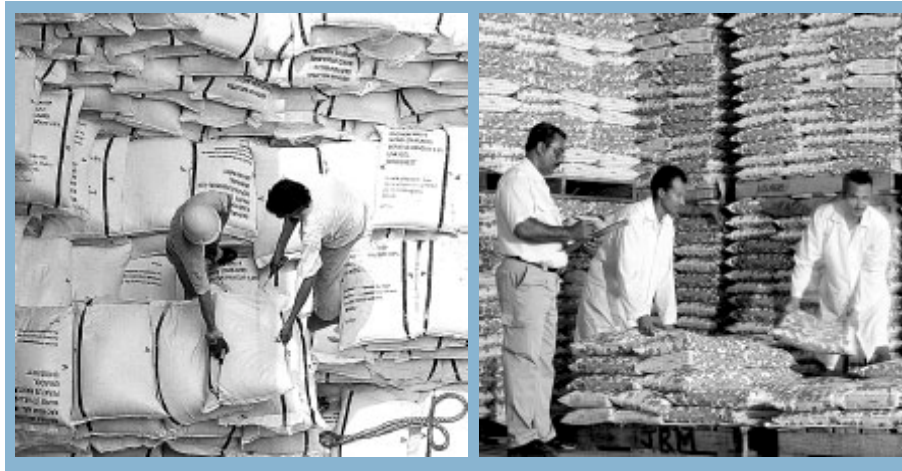
The Group undertook a revamping scheme with the key objective of cost-cutting, including offering a Voluntary Separation Scheme (VSS) to reduce its staff strength by almost half; streamlining its subsidiaries; closing down of redundant or irrelevant warehouses; and establishing distribution centres. This revamp would improve the Group's operational efficiency while the centralisation of production and distribution activities will accord it better monitoring and control.

BERNAS has also articulated and communicated a clear direction on its strategies across the organisation, focusing on effective cost management and operational improvement.

Internal Restructuring Measures

More specifically, in 2003, BERNAS initiated an internal restructuring exercise followed by immediate stringent cost-saving measures. An immediate review and redefinition measures involving four main components namely Bernas Production Sdn Bhd (BEPRO), Edaran Beras Nasional Sdn Bhd (EDARAN), Beras Corporation Sdn Bhd (BCSB) and Support Functions were undertaken in terms of the existing cost structure, business process flow, efficiency and operations. This review exercise led to changes of structure, functions and scope of activities, process flow, decision-making process and human resource requirements.

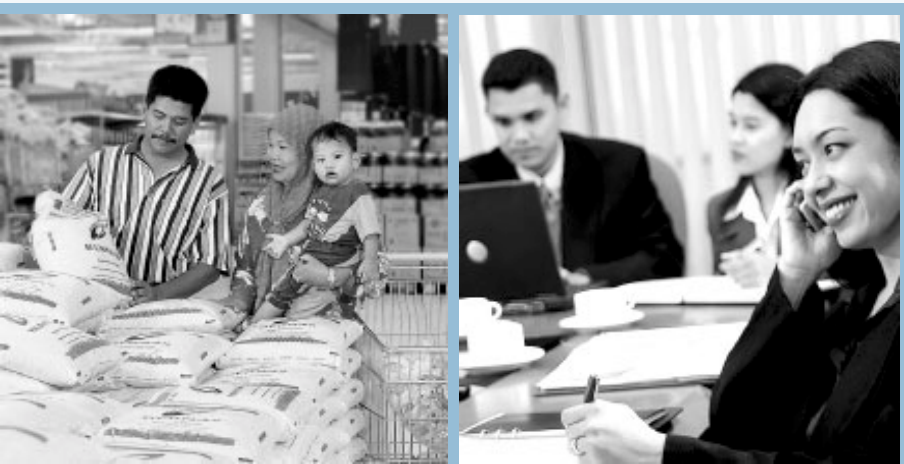
Moving in tandem with impending trade liberalisation posed by AFTA and WTO, BERNAS adopted two thrusts - that of



Cost Leadership Strategy and Differentiation Strategy throughout its supply chain.

The Cost Leadership Strategy aims to combat complacency as well as improve efficiency and productivity culminating in increased profitability. At the upstream level, procurement is planned on a competitive platform to encourage competitive pricing and quality. In addition, multi-sourcing strategy and mixture of spot and forward contracts is continuously deployed. At the farmers' level, in terms of paddy purchase, achieving competitive paddy price and getting close to the market paddy deduction rate is the ultimate goal. At the millers' level, the commercial and social functions are separated. BEPRO is to oversee the commercial functions whilst Production Division is to oversee the social functions. Mills undertake the commercial operations through contract processing. Besides optimum sizing, mills are focusing on achieving cost and operational efficiencies. At the warehousing level, optimum sizing and re-focusing warehouses to become distribution centres takes priority. Also, utilisation of resources will be re-examined to achieve optimum logistics efficiencies. Rationalisation, consolidation and sharing of resources and facilities within the Group will be carried out at the wholesaling level. At the same time, a contractual supply arrangement and one price strategy bench-marked against the market has been introduced.

The Differentiation Strategy is being implemented at the retailing and consumer level of the supply chain. At the consumer level, a coordinated Advertising and Promotion strategy to strengthen market share are being undertaken as means to improve brand positioning and image with quality endorsement. For example, BERNAS has launched advertising campaigns to create re-branding and promotion of local rice to inculcate greater awareness of its products through dynamic and strong brand names.



With the revamp behind it, BERNAS is going a step further in its bid to become the most cost-efficient rice producer and distributor in view of the impending globalisation and liberalisation of the industry. In terms of distribution, the Group is not merely looking at branding and promotion but the components of the physical distribution as well. Our milling operations must also be the most cost-efficient in order to compete with other millers. We see a need for further consolidation in milling or processing to hasten the process of efficiency and a move towards spatial rationalisation of mills.

Its brand consolidation programme aims to focus on a few selected brands, such as *Jasmine Super 5*, *Budi*, *Rambutan Super Istimewa Tempatan*, *Jati Super Special Tempatan*, *Faiza Emas*, *Beras Super 5 Era*, *Berasku* and *Saga* which are from the eight main brands of 'Super Spesial Tempatan' rice distributed by the Group. It is hoped that consumers will go for the strongest and outstanding brands of rice with quality and texture that are suited to the Malaysian taste requirements. This marketing strategy will boost the image of local rice as a quality product of Malaysia that is at par with, if not preferred over, imported rice.

Voluntary Separation Scheme (VSS)

Consistent with its aim to remain transparent, the management has kept BERNAS' employees informed of its plans for restructuring and rightsizing. In September 2003, BERNAS offered the VSS to a total of 3,196 permanent employees of the Group, of which 1,603 applications for VSS were approved by the end of October 2003. BERNAS' net cost in relation to VSS amounted to RM78.96 million. In undertaking the rightsizing exercise, the welfare of the employees was not compromised as all steps taken were strictly in compliance with all relevant regulations. The rightsizing exercise was a win-win situation for all parties as it enabled BERNAS to overcome its over-staffed position and simultaneously provided the employees who wished to end their services with the monetary resources to venture into other career or business opportunities through a lucrative compensation package.

PROSPECTS / MOVING FORWARD

Looking forward, it bears reminding that complacency can and will grind the wheels of BERNAS' competitiveness to a halt. After seven years of privatisation, it is high time for BERNAS to shed its perceived image as a Government agency and move towards enhancing its corporate image that emphasizes on its commercial standing without compromising its duties and social obligations.

In line with the Government's renewed emphasis on agriculture becoming a new engine of economic growth, BERNAS believes that to help farmers gain higher incomes, initiatives such as farm enlargement through paddy land consolidation, improvement in farm practices and farm mechanisation should be hastened. Similarly, the solution could also lie beyond the paddy and rice industry. Farmers should also be encouraged to become entrepreneurs or agripreneurs and engage in other agro-based products and value added commercial activities. This calls for co-operation amongst the Government agencies and private sectors with the common goal of increasing the income of the farmers.

Like my predecessors, I share their stand on the importance of non-complacency, discipline and the ability to make on-course corrections. Towards this end, we have instituted a rolling plan against which all responses necessitated by changes at the domestic, regional or global level are cast and adjusted periodically. We see these on-going adjustments as a continuous and dynamic process of business so that we do not lose out on the windows of opportunities or become irrelevant in the market.

CLOSING REMARKS

BERNAS' value resides in the supply chain and international trading network it has been forging over the last seven years. And with the onslaught of the liberalisation of trade in goods and services, having an exclusive import license alone may become less meaningful than having a supply chain and international trading network that provides the much-needed competitive edge. As a supply chain player, BERNAS continues to actively seek out and forge strategic partnerships and alliances with like-minded entities, at the local, regional and global levels.

As a national entity as well as due to its sheer size, spatial presence, pervasiveness in most segments of the industry, market share, physical facilities and operation and experience throughout the rice supply chain, BERNAS will continue to serve as the “back bone” of the Malaysian Rice Industry in future and the “pivot” for balancing the interests of the various stakeholders with that of the nation’s.

However, this could be a daunting task without the co-operation and support of others. For our industry’s future survival, we call for the continuing unflagging support and commitment of all stakeholders at the various level of the supply chain to forge a united front. We must listen and be aware of each other’s views, reconcile our differences and summon the courage to arrive at a common stand in addressing the current threats and challenges in the rice industry in order to overcome and resolve imperative industry related issues. With the right mindset, industriousness and incessant effort, we are guardedly optimistic of achieving greater heights of excellence, together.

Towards this end, I have committed BERNAS to mindfully balance the four ‘bottom lines’, namely that of profit; social responsibilities; corporate governance; and impact on the environment in the conduct of our business.

FINANCIAL HIGHLIGHTS FOR YEAR 2003

For the financial year ended 31 December 2003, the Group registered revenue of RM1.82 billion, an increase of 3.4 percent as compared to RM1.76 billion recorded in the previous financial year. In line with the higher revenue for the year, the Group’s profit before tax and before exceptional item increased from RM58.99 million in year 2002 to RM75.52 million in the current year, an increase of 28 percent.

The exceptional item comprising the net cost of the VSS which amounted to RM78.96 million, has resulted in a loss before tax for the current year of RM3.44 million.

The overall improved performance of the Group was made possible commencing second half of the year with the favourable market conditions resulting from the close co-operation with the various authorities in curbing rice smuggling. Total imports for the year rose from 478,000 metric tonnes in 2002 to 508,000 metric tonnes for the current year. In addition, the Group’s continued drive for cost optimisation and operational efficiency has also contributed positively towards the operational performance of the Group.

APPRECIATION

On behalf of the Management, I would like to extend my sincere thanks to all members of the past and present Board of Directors for their guidance, and all the employees of the Group for their perseverance, commitment and dedication in facing challenges, changing of mindset and diligence. I would also like to thank our valued joint-venture partners, business associates, stakeholders in the paddy and rice industry, farmers, customers and consumers for their support and loyalty. I am confident that with the full support and co-operation of all parties, BERNAS will continue to meet the challenges of the future by being more efficient and competitive while ensuring viable returns to shareholders and providing reliable and quality products. In closing, I would like to express my utmost appreciation for the on-going support we have received from the various relevant Government authorities and agencies.

Insya-Allah, with the wisdom granted to us, patience to persevere and the strength infused in us, the Malaysian rice industry together with BERNAS could rise to the challenges and achieve greater success.

Thank you.

AHMAD FUAD BIN ABDUL WAHAB
Chief Executive Officer



CALENDAR OF EVENTS

31 March 2003

Minister of Domestic Trade and Consumer Affairs, YB Tan Sri Muhyiddin Yassin visited Bernas Logistics Sdn Bhd's warehouse in Port Klang, Selangor accompanied by the Chairman of BERNAS, Dato' Seri Mohamad Noor Bin Abdul Rahim.



28 April 2003

BERNAS has entered into a third Counter-Trade Agreement with Myanma Agricultural Produce Training ("MAPT") in Yangon, Myanmar. The agreement is a continuation of the first and second Counter Trade Agreement entered into by BERNAS and MAPT in 2000 and 2001. MAPT shall supply USD1.75 million worth of broken rice to BERNAS and in return, BERNAS shall supply machineries and others goods to MAPT at equal value.



14 May 2003

BERNAS donated RM50,000 to support medical and humanitarian missions of *Malaysians for Peace* to war-torn Iraq. The donation was presented to YAB Dato' Seri Abdullah Ahmad Badawi in a Lion Dance Cultural Presentation ceremony organised by YHL Holding Sdn Bhd at Millenium Hall, Kepala Batas Pulau Pinang.

29 August 2003

Encik Ahmad Fuad Bin Abdul Wahab was appointed as the Chief Executive Officer of BERNAS.

3 September 2003

Encik Hamim Bin Yusuf and Encik Mohd Nazri Bin Md Shariff were appointed as the Chief Operating Officer and Chief Financial Officer respectively.

16 September 2003

BERNAS has entered into a Memorandum of Understanding with China National Cereals, Oils and Foodstuffs Import and Export Corporation ("COFCO") for the purpose of co-operating and exploring the business opportunities in counter trade and other trade arrangements.



9 December 2003

BERNAS hosted a Hari Raya open house at Kuala Lumpur Golf & Country Club. The guests included members of the Board of Directors, Management, local authorities and members of the press.

13 June 2003

Sabah Chief Minister, YAB Datuk Musa Aman officiated Sazarice Rice Processing and Packaging Plant in Kolombong, Kota Kinabalu, Sabah. The hi-tech facility, costing RM10 million, is capable of processing 200 tonnes of rice daily.



26 June 2003

BERNAS's ninth Annual General Meeting was held at Glenmarie Ballroom, Pan Pacific Glenmarie.

19 March 2004

BERNAS entered into a Memorandum of Agreement ("MOA") with Johor Port Berhad ("Johor Port") where Johor Port indicated its interest to purchase up to 12,000,000 ordinary shares of RM1.00 each in Bernas Logistics Sdn Bhd from BERNAS ("Proposed Transaction"). BERNAS and Johor Port shall endeavour to negotiate in good faith the terms and conditions of the Proposed Transaction with the intention that the sale and purchase agreement shall be entered into between the parties within three months from the date of the MOA.



15 April 2004

YB Tan Sri Muhyiddin Yassin, Minister of Agriculture and Agro-Based Industry, launched BERNAS' two-month "Makan-Makan Beras Tempatan" contest in conjunction with the International Year of Rice 2004 at Jusco Metro Prima, Kuala Lumpur. The contest, aimed at promoting local rice, is offering prizes worth RM1 million including the multi-purpose vehicle Naza Ria, Modenas scooters, holiday packages and electrical appliances.

11 August 2003

BERNAS entered into a Share Sale Agreement with Heng Pak Ki @ Heng Teik Wang and Heng Kuan Chor ("the Shareholders") for the acquisition of 365,160 ordinary shares of RM1 each representing 30 percent equity interest in OEL Realty Holdings Sdn Bhd ("OEL") for a total cash consideration of RM2,078,083.28. In conjunction with the above, a Shareholders Agreement was entered into between BERNAS, the Shareholders, Heng Kuan Ngi and Heng Kuan Song on the same date to govern their relationship as shareholders of OEL.

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of the importation of rice, activities in relation to the distribution of rice and investment holding. Pursuant to the Privatisation Agreement between the Company and the Government of Malaysia dated 12 January 1996 ("the Privatisation Agreement"), the Company shall also ensure the maintenance of the sufficient supply of rice at reasonably fair and stable prices. The Company's obligations under the Privatisation Agreement also include the maintenance of the rice stockpile, the distribution of paddy price subsidies to farmers on behalf of the Government, the management of the Bumiputra Rice Millers Scheme and acting as a buyer of last resort at the Guaranteed Minimum Price of paddy.

The principal activities of the subsidiaries are described in Note 37(A) to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit before exceptional items	75,517	55,806
Exceptional items - net costs in relation to Voluntary Separation Scheme	(78,955)	(67,588)
Loss from ordinary activities before taxation	(3,438)	(11,782)
Taxation	(14,022)	(5,111)
Loss after taxation	(17,460)	(16,893)
Minority interests	(1,422)	-
Loss for the year	(18,882)	(16,893)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the Statement of Changes in Equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the exceptional items disclosed in Note 9 to the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

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

Datuk Mohd Hashim Bin Hassan (appointed on 13 October 2003)

Dato' Syed Fakhri Barakbah Bin Tun Syed Sheh Barakbah (appointed on 13 October 2003)

Dohat Bin Shafiee

Bukhari Bin Mohd Sawi

Abdul Rahim Bin Mokti*

YB Haji Mohd Naroden Bin Haji Majais

Datuk Dr Sulaiman Bin Mahbob

Saiful Adnan Bin Abdul Majid

Dato' Abi Musa Asa'ari Bin Mohamed Nor*

Abdul Rahman Bin Datuk Haji Dahlan

Datuk Azizan Bin Ayob (appointed on 30 September 2003)

Dato' Siti Balkish Binti Shariff (appointed as alternate director to Dato' Abi

Musa Asa'ari Bin Mohamed Nor on 29 July 2003)

Normi Binti Nordin (appointed as alternate director to Abdul Rahim Bin Mokti on 13 October 2003)

Yahya Bin Abu Bakar (resigned on 30 September 2003)

Dato' Mohd Ibrahim Bin Mohd Nor (resigned on 13 October 2003)

Dato' Ahmad Zabri Bin Ibrahim (resigned on 13 October 2003)

Dato' Seri Mohamad Noor Bin Abdul Rahim (resigned on 1 March 2004)

Dato' Baseri Bin Lamsah (resigned as alternate director to Dato' Abi Musa Asa'ari Bin

Mohamed Nor on 29 July 2003)

Hasnan Bin Hassan (resigned as alternate director to Abdul Rahim Bin Mokti on 13 October 2003)

* Directors appointed by Special Shareholder, Minister of Finance (Incorporated)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at anytime during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the Employee Share Options Scheme.

DIRECTORS' BENEFITS (CONTD.)

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares or options over ordinary shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up share capital from RM444,213,001 to RM444,253,001 by way of the issuance of 40,000 ordinary shares of RM 1.00 each resulting from the exercise of employee share options for cash at the option price of RM 1.17 per share.

EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ("ESOS") is governed by the By-Laws which was approved by the shareholders at the Extraordinary General Meeting held on 27 June 2000 and became effective on 15 September 2000.

The main features of the ESOS are as follows:

- (a) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.
- (b) The total number of shares to be offered shall not exceed in aggregate 10% of the issued share capital of the Company at any one time during the existence of the ESOS.
- (c) The option price shall be at a discount of not more than 10% from the five day weighted average market price of the Company's shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad (formerly known as the Kuala Lumpur Stock Exchange) immediately preceding the offer date of the option or at the par value of the Company's shares, whichever is higher.
- (d) No offer shall be made for less than 1,000 shares and not more than 290,000 shares to any eligible employee.
- (e) An option granted under the ESOS is exercisable by the grantee by notice in writing to the Company before the expiry date of five years from the date of the offer or such shorter period as specified in such offer.
- (f) The number of shares under option or the option price or both so far as the option remain unexercised may be adjusted following any variation in the issued share capital of the Company by way of a capitalisation or rights issue or a reduction, subdivision or consolidation of the Company's shares made by the Company.

EMPLOYEE SHARE OPTION SCHEME (CONTD.)

- (g) The shares under option shall remain unissued until the option is exercised and shall on allotment rank pari passu in all respects with the existing shares of the Company at the time of allotment save that they will not entitle the holders thereof to receive any rights and bonus issues announced or to any dividend or other distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the option.
- (h) The Option Committee may at its discretion at any time and from time to time as it shall deem fit, select and make an offer in writing to any eligible employee to subscribe for shares in the Company based on the criteria for allotment and eligibility set out in By-Laws. The number of new shares which may be offered and allotted to the eligible employee shall be at the discretion of the Option Committee and shall not be less than 1,000 shares and not more than 290,000 shares and shall always be in multiples of 1,000 shares.

The movement in the options to take up unissued new ordinary shares of RM1 each and the option price were as follows:

Option Price	1 January 2003	Granted	Exercised	Cancelled	31 December 2003
RM1.17	29,785,500	-	(40,000)	-	29,745,500

The ESOS holders who had opted for the VSS as elaborated in Note 36(c) to the financial statements, have until September 2005 to exercise their options.

No options have been exercised subsequent to the financial year end.

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose the names of option holders of less than 100,000 shares. The names of option holders and the number of options granted in respect of the ESOS which are 100,000 shares and above are set out below:

Name of option holders	Number of options
Dato' Mohd Ibrahim Bin Mohd Nor	121,500
Wong Chee Yoong	105,000
Mohd Husin Bin Ismail	105,000

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

OTHER SIGNIFICANT AND SUBSEQUENT EVENTS

The other significant and subsequent events in relation to the financial year are as disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, Hanafiah Raslan & Mohamad, have expressed their willingness to continue in office.

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

Datuk Mohd Hashim Bin Hassan

Dohat Bin Shafiee

Petaling Jaya, Selangor Darul Ehsan
23 April 2004

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Mohd Hashim Bin Hassan and Dohat Bin Shafiee, being two of the directors of Padiberas Nasional Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 42 to 111 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

Datuk Mohd Hashim Bin Hassan

Dohat Bin Shafiee

Petaling Jaya, Selangor Darul Ehsan
23 April 2004

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mohd Nazri Bin Md Shariff, being the officer primarily responsible for the financial management of Padiberas Nasional Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 111 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Mohd Nazri Bin Md Shariff at
Petaling Jaya in Selangor Darul Ehsan
on 23 April 2004

Mohd Nazri Bin Md Shariff

Before me,

Samsuddin Bin Abdul Wahab
B139
Commissioner for Oaths

REPORT OF THE AUDITORS

to the members of Padiberas Nasional Berhad

We have audited the financial statements set out on pages 42 to 111. 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 applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 37(A) to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Hanafiah Raslan & Mohamad
AF: 0002
Chartered Accountants

Kuala Lumpur, Malaysia
23 April 2004

Abdul Rauf Bin Rashid
No. 2305/05/04(J)
Partner

INCOME STATEMENTS

for the year ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue	3	1,824,738	1,763,800	935,585	697,894
Cost of sales	4	(1,514,595)	(1,428,251)	(739,232)	(541,386)
Gross profit		310,143	335,549	196,353	156,508
Other operating income		8,649	11,554	1,165	21,800
Administration and other operating expenses		(249,557)	(290,687)	(137,429)	(131,230)
Profit from operations	5	69,235	56,416	60,089	47,078
Finance costs, net	8	(8,716)	(11,217)	(4,283)	(10,079)
Share of results of associates		14,998	13,790	-	-
Profit before exceptional items		75,517	58,989	55,806	36,999
Exceptional items - net costs in relation to Voluntary Separation Scheme	9	(78,955)	-	(67,588)	-
(Loss)/profit from ordinary activities before taxation		(3,438)	58,989	(11,782)	36,999
Taxation	10	(14,022)	(23,525)	(5,111)	13,651
(Loss)/profit after taxation		(17,460)	35,464	(16,893)	50,650
Minority interests		(1,422)	591	-	-
Net (loss)/profit for the year		(18,882)	36,055	(16,893)	50,650
(Loss)/earnings per share (sen)					
Basic	11				
- before exceptional items		13.5	8.2		
- after exceptional items		(4.3)	n/a		
Diluted	11	n/a	7.9		

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

BALANCE SHEETS

as at 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	264,648	265,255	17,039	13,069
Investment in subsidiaries	14	-	-	317,510	314,712
Investment in associates	15	105,418	93,319	60,944	58,466
Other investments	16	6,352	6,352	6,000	6,000
Intangible assets	17	8,433	10,294	-	-
Deferred tax assets	18	29,193	27,062	23,065	27,062
		<u>414,044</u>	<u>402,282</u>	<u>424,558</u>	<u>419,309</u>
CURRENT ASSETS					
Tax recoverable		62,663	30,208	43,529	21,735
Inventories	19	219,193	281,651	95,550	4,536
Trade receivables	20	257,332	230,735	272,495	314,722
Other receivables	21	45,308	51,359	81,654	172,199
Cash and bank balances	22	292,762	191,678	180,523	25,768
		<u>877,258</u>	<u>785,631</u>	<u>673,751</u>	<u>538,960</u>
CURRENT LIABILITIES					
Retirement benefit obligations	23	2,764	739	1,370	404
Short term borrowings	24	421,451	319,581	277,242	193,142
Trade payables	26	68,524	19,903	50,752	2,660
Other payables	27	52,207	49,040	156,672	97,023
Tax payable		116	-	-	-
		<u>545,062</u>	<u>389,263</u>	<u>486,036</u>	<u>293,229</u>
NET CURRENT ASSETS		<u>332,196</u>	<u>396,368</u>	<u>187,715</u>	<u>245,731</u>
		<u>746,240</u>	<u>798,650</u>	<u>612,273</u>	<u>665,040</u>

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

BALANCE SHEETS

as at 31 December 2003 (Contd.)

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
FINANCED BY:					
Share capital	28	444,253	444,213	444,253	444,213
Reserves		173,449	181,308	132,437	140,564
Shareholders' equity		617,702	625,521	576,690	584,777
Minority interests		55,281	54,567	-	-
		672,983	680,088	576,690	584,777
Retirement benefit obligations	23	31,652	46,824	15,583	25,463
Long term borrowings	24	30,708	61,074	20,000	54,800
Deferred tax liabilities	18	10,897	10,664	-	-
Non-current liabilities		73,257	118,562	35,583	80,263
		746,240	798,650	612,273	665,040

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2003

	Share capital RM'000	Non- Distributable Reserves (Note 29) RM'000	Distributable Retained profits (Note 30) RM'000	Total RM'000
At 1 January 2002				
As previously stated	292,630	29,833	275,077	597,540
Prior year adjustment (Note 32)	-	-	13,501	13,501
At 1 January 2002 (restated)	292,630	29,833	288,578	611,041
At 1 January 2002	292,630	29,833	288,578	611,041
Transfer to Government Stockpile	-	(6,292)	-	(6,292)
Currency exchange translation differences	-	(198)	-	(198)
Net loss not recognised in the income statement	-	(6,490)	-	(6,490)
Issuance of share capital via exercise of ESOS (Note 28)	3,548	2,632	-	6,180
Bonus issue (Note 28)	148,035	-	(148,035)	-
Net profit for the year	-	-	36,055	36,055
Dividends (Note 12)	-	-	(21,265)	(21,265)
At 31 December 2002	444,213	25,975	155,333	625,521
At 1 January 2003				
As previously stated	444,213	25,975	128,183	598,371
Prior year adjustment (Note 32)	-	-	27,150	27,150
At 1 January 2003 (restated)	444,213	25,975	155,333	625,521
Transfer from Government Stockpile	-	10,223	-	10,223
Currency exchange translation differences	-	793	-	793
Net gain not recognised in the income statement	-	11,016	-	11,016
Issuance of share capital via exercise of ESOS (Note 28)	40	7	-	47
Capitalisation of distributable profits of a subsidiary for bonus issue	-	3,000	(3,000)	-
Net loss for the year	-	-	(18,882)	(18,882)
At 31 December 2003	444,253	39,998	133,451	617,702

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2003

	Share capital RM'000	Non- Distributable Reserves (Note 29) RM'000	Distributable Retained profits (Note 30) RM'000	Total RM'000
At 1 January 2002				
As previously stated	292,630	8,481	234,690	535,801
Prior year adjustment (Note 32)	-	-	13,411	13,411
At 1 January 2002 (restated)	292,630	8,481	248,101	549,212
At 1 January 2002	292,630	8,481	248,101	549,212
Issuance of share capital via exercise of ESOS (Note 28)	3,548	2,632	-	6,180
Bonus issue (Note 28)	148,035	-	(148,035)	-
Net profit for the year	-	-	50,650	50,650
Dividends (Note 12)	-	-	(21,265)	(21,265)
At 31 December 2002	444,213	11,113	129,451	584,777
At 1 January 2003				
As previously stated	444,213	11,113	102,389	557,715
Prior year adjustment (Note 32)	-	-	27,062	27,062
At 1 January 2003 (restated)	444,213	11,113	129,451	584,777
At 1 January 2003	444,213	11,113	129,451	584,777
Transfer from Government Stockpile	-	8,759	-	8,759
Net gain not recognised in the income statement	-	8,759	-	8,759
Net loss for the year	-	-	(16,893)	(16,893)
Issuance of share capital via the exercise of ESOS (Note 28)	40	7	-	47
At 31 December 2003	444,253	19,879	112,558	576,690

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

CASH FLOW STATEMENTS

for the year ended 31 December 2003

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(3,438)	58,989	(11,782)	36,999
Adjustments for:				
Provision for doubtful debts	19,842	7,573	26,436	2,996
Bad debts written off	38	61	1,394	-
Write back of provision for doubtful debts	(7,638)	(38)	(6,488)	-
Provision for retirement benefits	8,301	8,338	2,048	1,746
Provision for impairment loss on investments	800	-	2,855	20,800
Depreciation	26,223	27,045	4,610	4,827
Amortisation of intangible assets	1,861	1,854	-	-
Inventories written down	5,186	6,905	4,429	-
Loss/(gain) on disposal of property, plant and equipment	3,586	93	(191)	33
Property, plant and equipment written off	6,094	811	1,889	63
Interest expense	14,533	16,272	8,256	11,246
Interest income	(5,854)	(5,313)	(3,978)	(1,167)
Gross dividend income	-	-	(57)	(21,496)
Overprovision for voluntary separation scheme	-	(15,000)	-	(15,000)
Insurance claims written off	-	19	-	19
Gain on deregistration of subsidiaries	(77)	-	-	-
Share of results of associates	(14,998)	(13,790)	-	-
Exceptional items				
- Voluntary Separation Scheme ("VSS") compensation costs	99,171	-	81,589	-

CASH FLOW STATEMENTS

for the year ended 31 December 2003 (Contd.)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
- Write back of retirement benefit obligations	(20,216)	-	(14,001)	-
Operating profit before working capital changes	133,414	93,819	97,009	41,066
(Increase)/decrease in receivables	(33,511)	(17,976)	111,430	43,580
Decrease/(increase) in inventories	67,495	72,508	(86,684)	13,651
Increase/(decrease) in payables	48,233	(84,321)	97,995	5,527
Cash generated from operations	215,631	64,030	219,750	103,824
Taxation paid	(44,125)	(125,210)	(22,892)	(83,854)
Interest paid	(14,533)	(16,272)	(8,256)	(11,246)
VSS compensation costs paid	(95,537)	-	(77,955)	-
Retirement benefits paid	(1,232)	(863)	(722)	(201)
Net cash generated from/ (used in) operating activities	60,204	(78,315)	109,925	8,523
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash used for acquisition of a subsidiary (Note A)	-	(6,409)	-	-
Interest income received	5,854	5,313	3,978	1,167
Net dividend received from:				
- subsidiaries	-	-	-	17,331
- associates	57	3,696	41	2,998
Purchase of investments	(2,079)	(4,000)	(8,131)	(4,000)
Purchase of property, plant and equipment	(36,287)	(39,426)	(599)	(5,468)

CASH FLOW STATEMENTS

for the year ended 31 December 2003 (Contd.)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (CONTD.)				
Proceeds from disposal of property, plant and equipment	4,841	171	194	103
Net cash (used in)/generated from investing activities	(27,614)	(40,655)	(4,517)	12,131
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	781,695	816,652	452,220	589,206
Repayment of borrowings	(715,752)	(776,904)	(402,920)	(616,998)
Proceeds from the issuance of shares via the exercise of ESOS	47	6,180	47	6,180
Dividend paid	-	(21,265)	-	(21,265)
Net cash generated from/ (used in) financing activities	65,990	24,663	49,347	(42,877)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	98,580	(94,307)	154,755	(22,223)
EFFECTS OF EXCHANGE RATE CHANGES	793	(198)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	185,899	280,404	25,768	47,991
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	285,272	185,899	180,523	25,768
Cash and cash equivalents comprise:				
Cash and bank balances	292,762	191,678	180,523	25,768
Bank overdrafts	(7,490)	(5,779)	-	-
	285,272	185,899	180,523	25,768

CASH FLOW STATEMENTS

for the year ended 31 December 2003 (Contd.)

NOTE A

ANALYSIS OF ACQUISITION OF A SUBSIDIARY IN THE PREVIOUS FINANCIAL YEAR

	2002 RM'000
Trade and other receivables	19
Inventories	-
Property, plant and equipment	9,583
Investments	-
Cash and cash equivalents	-
Short term borrowings	-
Trade and other payables	(8)
Taxation	-
Deferred taxation	-
Minority interest	(1,338)
Share of net assets acquired	8,256
Negative goodwill on consolidation	(1,847)
	6,409
Less: Cash and cash equivalents of subsidiary acquired	-
Net cash used for acquisition of a subsidiary	6,409

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

1. CORPORATE INFORMATION

The principal activities of the Company are those of the importation of rice, activities in relation to the distribution of rice and investment holding. Pursuant to the Privatisation Agreement between the Company and the Government of Malaysia dated 12 January 1996 ("the Privatisation Agreement"), the Company shall also ensure the maintenance of the sufficient supply of rice at reasonably fair and stable prices. The Company's obligations under the Privatisation Agreement also include the maintenance of the rice stockpile, the distribution of paddy price subsidies to farmers on behalf of the Government, the management of the Bumiputra Rice Millers Scheme and acting as a buyer of last resort at the Guaranteed Minimum Price of paddy.

The principal activities of the subsidiaries are described in Note 37(A).

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 19, CP Tower, No. 11 Section 16/11, Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year were 3,132 (2002: 4,653) and 231 (2002 : 386) respectively.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

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

During the financial year ended 31 December 2003, the Group and the Company adopted the following Malaysian Accounting Standards Board ("MASB") Standards for the first time:

MASB 25	Income Taxes
MASB 27	Borrowing Costs
MASB 28	Discontinuing Operations
MASB 29	Employee Benefits
MASB 30	Accounting and Reporting by Retirement Benefits Plans

The effects of adopting MASB 25 are summarised in the Statement of Changes in Equity and further information is disclosed in Note 32 to the financial statements. The adoption of the other standards above have not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation

(i) Subsidiaries

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

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

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

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

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

(ii) Associates

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

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

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

(c) Investments in Subsidiaries and Associates

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Property, Plant and Equipment and Depreciation

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

Freehold land and construction work-in-progress are not depreciated. Leasehold land is depreciated over the period of the lease which ranges from 50 to 99 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings and infrastructure	2% to 20%
Renovation	10% to 20%
Plant and machinery	4% to 20%
Furniture, fittings and office equipment	10% to 40%
Motor vehicles	20%

The property, plant and equipment transferred from Lembaga Padi dan Beras Negara ("LPN") on 7 July 1994 (transfer date) are depreciated over the remainder of the useful lives of these assets as at the transfer date.

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

(e) Inventories

Inventories are stated at the lower of cost (determined on weighted average basis) and net realisable value. Cost includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The Company is vested with the duty to maintain and manage the Government Stockpile of rice of 92,000 metric tonnes. The inventories of paddy and rice of the Group and of the Company are disclosed net of the Government Stockpile. Surplus arising from the valuation of inventories attributable to the Government Stockpile is dealt with in the Stockpile Fluctuation Reserve Account. Deficit fluctuations in excess of the amount in reserve are charged to the income statement.

(f) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash in hand and at banks and deposits at call, which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Finance Lease and Hire Purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

(h) Income Tax

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

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

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

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 32.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Employee Benefits

The Group adopted MASB 29 Employee Benefits in the current financial year.

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefit plans

In addition to contributions to the EPF, the Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligations under the Scheme are determined based on a triennial actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted using the Projected Unit Credit Method in order to determine its present value. Actuarial gains and losses are recognised as income or expense in the income statement immediately.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations.

Prior to the adoption of MASB 29 Employee Benefits on 1 January 2003, no liability was recognised for the obligations in respect of short-term employee benefits in the form of accumulating compensated absences. This change has not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Revenue Recognition

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

(i) Sale of goods

Revenue relating to the sale of goods is recognised net of sales taxes, discounts and returns upon transfer of risks and rewards.

(ii) Engineering, maintenance and construction services

Revenue from the provision of engineering, maintenance and construction services is recognised by reference to the stage of completion of the projects.

(iii) Logistics services

Revenue from the provision of logistics services is recognised net of discounts as and when the services are performed.

(k) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates for every unit of foreign currency ruling at the balance sheet date used are as follows:

	2003 RM	2002 RM
United States Dollar	3.8000	3.8000
Guinee Franc	0.0018	0.0019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Impairment of Assets

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

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

(m) Provisions for Liabilities

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

(n) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

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

Goodwill is amortised on a straight-line basis over its estimated useful life of 10 years.

(o) Trademarks

Trademarks are recognised as intangible assets if it is probable that the future economic benefits that are attributable to such assets will flow to the enterprise and the costs of such assets can be measured reliably.

Trademarks are stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). Amortisation of trademark is charged to the income statement based on a straight line basis over the estimated useful life of 10 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Financial Instruments

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

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

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

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

(ii) Receivables

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

(iii) Payables

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

(iv) Interest-Bearing Borrowings

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

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sales of rice	1,809,819	1,752,127	935,585	697,894
Engineering and construction services	351	5,240	-	-
Sale of poultry products	4,489	3,654	-	-
Transport services	9,806	2,545	-	-
Others	273	234	-	-
	<u>1,824,738</u>	<u>1,763,800</u>	<u>935,585</u>	<u>697,894</u>

4. COST OF SALES

Cost of sales represents cost of inventories sold, cost of services provided and contract costs recognised as an expense. Cost of local rice sold includes overhead costs of paddy complexes.

5. PROFIT FROM OPERATIONS

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Staff costs (Note 6)	138,697	154,793	23,052	28,904
Non-executive directors' remuneration (Note 7)	469	523	386	360
Auditors' remuneration:				
Statutory audits	576	650	95	90
Other services	28	85	-	75
Bad debts written off	38	61	1,394	-
Provision for doubtful debts	19,842	7,573	26,436	2,996
Bad debts recovered	(36)	(150)	-	-
Write back of provision for doubtful debts	(7,638)	(38)	(6,488)	-
Amortisation of intangible assets	1,861	1,854	-	-
Depreciation	26,223	27,045	4,610	4,827
Inventories written down	5,186	6,905	4,429	-
Rental of land and building	17,896	26,746	3,880	3,126
Realised gain on foreign exchange	(311)	(241)	(311)	-
Loss/(gain) on disposal of property, plant and equipment	3,586	93	(191)	33
Property, plant and equipment written off	6,094	811	1,889	63
Provision for impairment loss on investments	800	-	2,855	20,800
Insurance claims written off	-	19	-	19
Overprovision for voluntary separation scheme	-	(15,000)	-	(15,000)
Rental income	(66)	(130)	(66)	-
Gain on deregistration of subsidiaries	(77)	-	-	-
Gross dividends from an associate	-	-	-	(4,165)
Tax exempt dividends from subsidiaries	-	-	-	(17,331)

5. PROFIT FROM OPERATIONS (CONTD.)

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax exempt dividends from an associate	-	-	(57)	-
Rental of plant and machinery	1,440	2,880	-	-

6. STAFF COSTS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Wages and salaries	112,325	122,041	17,626	18,803
Social security costs	1,125	1,560	140	140
Short term accumulating compensated absences	402	-	402	-
Pension costs - defined contribution plan	12,049	12,884	1,956	2,243
Pension costs - defined benefit plan (Note 23)	8,301	8,338	2,048	1,746
Other staff related expenses	4,495	9,970	880	5,972
	<u>138,697</u>	<u>154,793</u>	<u>23,052</u>	<u>28,904</u>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM4,499,000 (2002: RM3,934,000) and RM169,000 (2002: RM341,000) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Directors of the Company				
Executive:				
Salaries, bonus and other emoluments	154	341	154	341
VSS compensation costs* (Note 9)	788	-	788	-
Pension costs - defined contribution plan	15	-	15	-
Benefits-in-kind	6	6	6	6
	<u>963</u>	<u>347</u>	<u>963</u>	<u>347</u>

7. DIRECTORS' REMUNERATION (CONTD.)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Directors of the Company (Contd.)				
Non-Executive:				
Fees	386	423	386	360
Directors of subsidiaries				
Executive:				
Salaries, bonus and other emoluments	3,897	3,389	-	-
Fees	-	204	-	-
Pension costs - defined contribution plan	433	-	-	-
Benefits-in-kind	176	16	-	-
	4,506	3,609	-	-
Non-Executive:				
Fees	83	100	-	-
Total	5,938	4,479	1,349	707
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 6)	4,499	3,934	169	341
Total executive directors' remuneration excluding benefits-in-kind (Note 9)	788	-	788	-
Total non-executive directors' remuneration excluding benefits-in-kind (Note 5)	469	523	386	360
Total directors' remuneration excluding benefits-in-kind	5,756	4,457	1,343	701

*The Company's executive director has resigned during the year.

7. DIRECTORS' REMUNERATION (CONTD.)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of directors	
	2003	2002
Executive directors:		
Below RM50,000	1	1
RM300,001 - RM350,000	-	1
RM900,001 - RM950,000	1	-
Non-Executive directors:		
Below RM50,000	15	10
RM50,001-RM100,000	1	1

8. FINANCE COSTS, NET

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest expense on borrowings	14,533	16,272	8,256	11,246
Bank charges	37	258	5	-
Interest income from deposits	(5,854)	(5,313)	(3,978)	(1,167)
	<u>8,716</u>	<u>11,217</u>	<u>4,283</u>	<u>10,079</u>

9. EXCEPTIONAL ITEMS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Voluntary Separation Scheme ("VSS"):				
- VSS compensation costs	99,171	-	81,589	-
- Write back of retirement benefit obligations	(20,216)	-	(14,001)	-
	<u>78,955</u>	<u>-</u>	<u>67,588</u>	<u>-</u>

The details of the VSS are as disclosed in Note 36(c).

10. TAXATION

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax expense for the year:				
- Malaysian income tax	12,394	29,951	1,114	-
- Relating to origination and reversal of temporary differences (Note 18)	(1,898)	(10,406)	3,997	(13,651)
Share of tax of associates	4,133	4,732	-	-
(Over)/under provision in respect of prior years:				
- Malaysian Income tax	(607)	(752)	-	-
	<u>14,022</u>	<u>23,525</u>	<u>5,111</u>	<u>(13,651)</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2002: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

With effect from Year of Assessment 2003, the corporate tax rate for subsidiaries with paid-up capital of RM2.5 million and below at the beginning of the basis period for the Year of Assessment are as follows:

Chargeable Income	Rate
First RM100,000	20%
Amount exceeding RM100,000	28%

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

	2003 RM'000	2002 RM'000
Group		
(Loss)/profit before taxation	<u>(3,438)</u>	<u>58,989</u>
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	(963)	16,517
Tax incentive obtained from differential tax rate of 20%	(59)	-
Expenses not deductible for tax purposes	29,218	38,811
Expenses eligible for double deduction	(16)	-
Utilisation of unutilised tax losses and capital allowances brought forward from previous years	(2,457)	(401)

10. TAXATION (CONTD.)

	2003 RM'000	2002 RM'000
Group (Contd.)		
Deferred tax assets not recognised on unutilised tax losses and unabsorbed capital allowances	2,442	7,384
Income not subject to tax	(17,379)	(23,475)
Write back of expenses previously not tax deductible	-	(26,450)
Underprovision of deferred taxation in prior years	3,843	11,891
Overprovision of income tax in prior years	(607)	(752)
Tax expense for the year	14,022	23,525
Company		
(Loss)/profit before taxation	(11,782)	36,999
Taxation at Malaysian tax rate of 28% (2002: 28%)	(3,299)	10,360
Write back of expenses previously not tax deductible	-	(26,450)
Income not subjected to tax	(16,800)	(23,332)
Expenses not deductible for tax purposes	25,210	25,771
Tax charge/(credit) for the year	5,111	(13,651)

Tax losses are analysed as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax savings recognised during the year arising from:				
Utilisation of tax losses brought forward from previous years	3,978	401	2,958	-
Unutilised capital allowances brought forward	1,733	-	1,613	-
	1,733	-	1,613	-

The Company's tax expense for the years ended 31 December 2001, 2002 and 2003 have been computed on the basis that the cost of financial assistance ("grant"), provided by the Company to a wholly owned subsidiary, Bernas Production Sdn. Bhd. ("BPSB"), is a tax deductible expense. Should the grant be disallowed for tax purposes, the cumulative additional tax charge to the Company would be approximately RM43,680,000 (2002: RM26,880,000).

On 20 January 2004, the Ministry of Finance granted the Company a tax exemption on income equivalent to the amount of grants given to BPSB under Section 127(3) of the Income Tax Act, 1967. This income tax exemption is pending formalisation via a Ministerial Order.

11. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the net loss or profit for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

	2003	Group 2002
Net (loss)/profit for the year (RM'000)		
- before exceptional items (RM'000)	60,073	36,055
- after exceptional items (RM'000)	(18,882)	n/a
Weighted average number of ordinary shares in issue ('000)	444,239	442,389
Basic (loss)/earnings per share		
- before exceptional items (sen)	13.5	8.2
- after exceptional items (sen)	(4.3)	n/a

The comparative basic earnings per share has been restated to take into account the effect of the change in accounting policy as elaborated in Notes 2(a) and 32.

(b) Diluted

For the purpose of calculating diluted (loss)/earnings per share, the net (loss)/profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the effects of dilutive potential ordinary shares from the conversion of the unexercised ESOS.

The adjusted weighted average number of ordinary shares is the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares which would be issued on the conversion of the unexercised ESOS into ordinary shares.

	2002
Net profit for the year (RM'000)	36,055
Weighted average number of ordinary shares in issue ('000)	454,997
Diluted earnings per share (sen)	7.9

11. (LOSS)/EARNINGS PER SHARE (CONTD.)

(b) Diluted (Contd.)

The comparative diluted earnings per share has been restated to take into account the effects of the change in accounting policy as elaborated in Notes 2(a) and 32.

The effects on the basic loss per share for the current financial year arising from the assumed conversion of the ESOS is anti-dilutive as the average market price of the Company's shares is lower than the exercise price of the ESOS. Accordingly, diluted loss per share for the current financial year has not been presented.

12. DIVIDENDS

	Amount		Net Dividends per Share	
	2003 RM'000	2002 RM'000	2003 Sen	2002 Sen
First and final dividend of 10% less 28% taxation in respect of financial year ended 31 December 2001 paid in 2002	-	21,265	-	7.2

The directors do not recommend the payment of any dividends in respect of the current financial year.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings and infrastructure RM'000	Plant and machinery RM'000	Work-in-Progress RM'000	Others* RM'000	Total RM'000
Cost							
At 1 January 2003	14,650	5,391	55,103	194,496	16,829	97,715	384,184
Additions	2,078	164	12,793	18,042	-	7,060	40,137
Disposals	-	-	(3,783)	(2,716)	-	(7,019)	(13,518)
Reclassifications	-	-	587	3,454	(4,534)	493	-
Write-off	-	-	(1,558)	(2,700)	(2,732)	(1,560)	(8,550)
At 31 December 2003	16,728	5,555	63,142	210,576	9,563	96,689	402,253
Accumulated depreciation and impairment losses							
At 1 January 2003	-	533	7,390	54,895	-	56,111	118,929
Charge for the year	-	311	980	9,707	-	15,225	26,223
Disposals	-	-	-	(93)	-	(4,998)	(5,091)
Write-off	-	-	(600)	(823)	-	(1,033)	(2,456)
At 31 December 2003	-	844	7,770	63,686	-	65,305	137,605
Net Book Value							
At 31 December 2003	16,728	4,711	55,372	146,890	9,563	31,384	264,648
At 31 December 2002	14,650	4,858	47,713	139,601	16,829	41,604	265,255
Depreciation charge for 2002							
	-	77	2,252	9,204	-	15,512	27,045

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

* Others	Furniture, fittings and office equipment	Renovation	Motor vehicles	Total
Group	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January 2003	53,039	2,568	42,108	97,715
Additions	1,756	1,603	3,701	7,060
Disposals	(5,261)	-	(1,758)	(7,019)
Reclassification	37	26	430	493
Write-off	(561)	(611)	(388)	(1,560)
At 31 December 2003	49,010	3,586	44,093	96,689
Accumulated depreciation and impairment losses				
At 1 January 2003	33,014	555	22,542	56,111
Charge for the year	9,618	299	5,308	15,225
Disposals	(3,884)	-	(1,114)	(4,998)
Write-off	(524)	(252)	(257)	(1,033)
At 31 December 2003	38,224	602	26,479	65,305
Net Book Value				
At 31 December 2003	10,786	2,984	17,614	31,384
At 31 December 2002	20,025	2,013	19,566	41,604
Depreciation charge for 2002				
	9,504	208	5,800	15,512

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	Long term leasehold land RM'000	Building and infrastructure RM'000	Plant and machinery RM'000	Others*	Total RM'000
Cost					
At 1 January 2003	1,022	2,038	475	25,474	29,009
Additions	-	-	-	599	599
Disposals	-	-	-	(579)	(579)
Transfer from a subsidiary	-	7,699	3,196	3,865	14,760
Write-off	-	(2,038)	(14)	(590)	(2,642)
At 31 December 2003	1,022	7,699	3,657	28,769	41,147
Accumulated depreciation and impairment losses					
At 1 January 2003	145	300	192	15,303	15,940
Charge for the year	17	95	55	4,443	4,610
Disposals	-	-	-	(576)	(576)
Transfer from a subsidiary	-	1,215	972	2,700	4,887
Write-off	-	(310)	(9)	(434)	(753)
At 31 December 2003	162	1,300	1,210	21,436	24,108
Net Book Value					
At 31 December 2003	860	6,399	2,447	7,333	17,039
At 31 December 2002	877	1,738	283	10,171	13,069
Depreciation charge for 2002					
	17	44	55	4,711	4,827

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

* Others	Furniture, fittings and office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Company				
Cost				
At 1 January 2003	18,449	634	6,391	25,474
Additions	599	-	-	599
Disposals	(7)	-	(572)	(579)
Transfer from a subsidiary	3,033	18	814	3,865
Write-off	(302)	(288)	-	(590)
At 31 December 2003	21,772	364	6,633	28,769
Accumulated depreciation and impairment losses				
At 1 January 2003	11,102	196	4,005	15,303
Charge for the year	3,722	21	700	4,443
Disposals	(4)	-	(572)	(576)
Transfer from a subsidiary	2,026	2	672	2,700
Write-off	(280)	(154)	-	(434)
At 31 December 2003	16,566	65	4,805	21,436
Net Book Value				
At 31 December 2003	5,206	299	1,828	7,333
At 31 December 2002	7,347	438	2,386	10,171
Depreciation charge for 2002				
	3,969	38	704	4,711

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (a) Net book values of property, plant and equipment of the Group held under hire purchase and finance lease arrangements are as follows:

	Group	
	2003 RM'000	2002 RM'000
Motor vehicles	4,049	6,159
Plant and machinery	3,059	1,951
	7,108	8,110

- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of approximately RM40,137,000 (2002: RM40,887,000) of which RM3,850,000 (2002: RM1,461,000) were acquired by means of hire purchase and finance lease arrangements. The Company acquired property, plant and equipment entirely by cash in the current and previous financial years.
- (c) The net book values of property, plant and equipment of the Group pledged to financial institutions for bank borrowings as referred to in Note 24 are as follows:

	Group	
	2003 RM'000	2002 RM'000
Freehold land	7,107	8,456
Leasehold land	679	-
Buildings and infrastructure	13,520	90
Plant and machinery	8,629	8,275
	29,935	16,821

- (d) The title of freehold land with a carrying value of RM2,040,000 (2002: RMNil) is yet to be registered in the name of a subsidiary.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost	340,865	336,012
Less: Accumulated impairment losses	(23,355)	(21,300)
	317,510	314,712

Details of the subsidiaries are shown on Note 37(A).

- (a) During the financial year, certain subsidiaries of the Group as disclosed in Note 37(A) were deregistered. The effects of the deconsolidation on the financial results of the Group from the date of deconsolidation to 31 December 2003 is immaterial.

The effect of the deconsolidation on the financial position of the Group is as follows:

	At deconsolidation date RM'000
Receivables	2
Payables	(79)
Net liabilities	(77)
Gain arising from deregistration of subsidiaries (Note 5)	77
Net cash from deregistration of subsidiaries	-

- (b) In the previous financial year, the Group acquired 86% equity interest in Machind Realty Sdn. Bhd., a company incorporated in Malaysia, for a cash consideration of RM6,408,885. The acquisition was completed on 24 September 2002.

The effect of the acquisition on the financial results of the Group for the previous financial year from the date of acquisition to 31 December 2002 was as follows:

	2002 RM '000
Revenue	-
Administration expenses	7
Profit before taxation	(7)
Income tax	-
Profit after taxation	(7)
Minority interests	1
Decrease in Group profit attributable to shareholders	(6)

14. INVESTMENT IN SUBSIDIARIES (CONTD.)

The effect of the acquisition on the financial position of the Group as at 31 December 2002 was as follows:

	2002 RM '000
Property, plant and equipment	9,583
Other receivables and prepaid expenses	19
Other payables and accrued expenses	(8)
Minority interests	(1,338)
Net assets acquired	<u>8,256</u>
Negative goodwill on consolidation	(1,847)
Less: Cash and bank balances acquired	-
Net cash outflow on acquisition of subsidiary company	<u>6,409</u>

The fair value of the assets acquired and liabilities assumed from the acquisition in the previous financial year were as follows:

	2002 RM '000
Net assets acquired:	
Property, plant and equipment	9,583
Other receivables and prepaid expenses	19
Other payables and accrued expenses	(8)
Fair value of total net assets	<u>9,594</u>
Minority interests	(1,338)
Group's share of net assets	<u>8,256</u>
Negative goodwill on consolidation	(1,847)
Total consideration	<u>6,409</u>
Satisfied by cash payment, representing net cash outflow arising from acquisition	<u>6,409</u>

15. INVESTMENT IN ASSOCIATES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
In Malaysia:				
Unquoted shares, at cost	72,597	70,518	63,244	59,966
Share of post-acquisition reserves	26,061	14,606	-	-
Less: Accumulated impairment losses	(2,300)	(1,500)	(2,300)	(1,500)
	<u>96,358</u>	<u>83,624</u>	<u>60,944</u>	<u>58,466</u>
Outside Malaysia:				
Unquoted shares, at cost	3,427	3,427	-	-
Share of post-acquisition reserves	5,633	6,268	-	-
	<u>9,060</u>	<u>9,695</u>	<u>-</u>	<u>-</u>
	<u>105,418</u>	<u>93,319</u>	<u>60,944</u>	<u>58,466</u>
Represented by:				
Share of net assets (Reserve)/goodwill on acquisition	105,432	92,886		
	(14)	433		
	<u>105,418</u>	<u>93,319</u>		

Details of the associates, are shown on Note 37(B) to the financial statements.

On 11 August 2003, the Company acquired a 30% equity interest in OEL Realty Holdings Sdn. Bhd., a company incorporated in Malaysia for cash consideration of RM2,078,083.

The Group is unable to determine the amount of unrecognised losses of an associate, Kilang Beras Fajar Sdn. Bhd. and its subsidiary companies. This is due to the fact that they have ceased operations and the latest financial statements were not made available to the Group. However, the carrying value of this investment of RM1,500,000 has been fully provided for.

16. OTHER INVESTMENTS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unquoted shares, at cost	6,300	6,300	6,000	6,000
Quoted shares in Malaysia, at cost	23	23	-	-
Golf club membership	29	29	-	-
	<u>6,352</u>	<u>6,352</u>	<u>6,000</u>	<u>6,000</u>
Market value of quoted shares	<u>25</u>	<u>27</u>		

17. INTANGIBLE ASSETS

	Group	
	2003 RM'000	2002 RM'000
Goodwill on consolidation		
At 1 January	10,002	13,653
Negative goodwill arising from acquisition of subsidiary	-	(1,847)
	<u>10,002</u>	<u>11,806</u>
Less:		
Amortisation for the year	(1,811)	(1,804)
At 31 December	<u>8,191</u>	<u>10,002</u>
Trademarks		
At 1 January	292	342
Less:		
Amortisation for the year	(50)	(50)
At 31 December	<u>242</u>	<u>292</u>
	<u>8,433</u>	<u>10,294</u>

18. DEFERRED TAXATION

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At 1 January	16,398	5,992	27,062	13,411
Recognised in the income statement (Note 10)	1,898	10,406	(3,997)	13,651
At 31 December	<u>18,296</u>	<u>16,398</u>	<u>23,065</u>	<u>27,062</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	29,193	27,062	23,065	27,062
Deferred tax liabilities	(10,897)	(10,664)	-	-
	<u>18,296</u>	<u>16,398</u>	<u>23,065</u>	<u>27,062</u>

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

18. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At 1 January 2003	(30,761)	(2,978)	(33,739)
Recognised in the income statement	(3,836)	(859)	(4,695)
At 31 December 2003	(34,597)	(3,837)	(38,434)

Deferred Tax Assets of the Group:

	Retirement Benefit Obligations RM'000	Provision for Doubtful Debts RM'000	Tax Losses and Unabsorbed Capital Allowances RM'000	Others RM'000	Total RM'000
At 1 January 2003	12,446	-	37,483	208	50,137
Recognised in the income statement	(2,810)	3,393	(1,954)	7,964	6,593
At 31 December 2003	9,636	3,393	35,529	8,172	56,730

Deferred Tax Liabilities of the Company:

	Accelerated Capital Allowances RM'000
At 1 January 2003	(1,140)
Recognised in the income statement	(1,174)
At 31 December 2003	(2,314)

18. DEFERRED TAXATION (CONTD.)

Deferred Tax Assets of the Company:

	Retirement Benefit Obligations RM'000	Provision for Doubtful Debts RM'000	Accruals RM'000	Tax Losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At 1 January 2003	7,242	-	-	20,960	28,202
Recognised in the income statement	(2,495)	3,226	1,017	(4,571)	(2,823)
At 31 December 2003	4,747	3,226	1,017	16,389	25,379

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

	Group	
	2003 RM'000	2002 RM'000
Unused tax losses	33,175	28,460
Unabsorbed capital allowances	330	5,101
	<u>33,505</u>	<u>33,561</u>

The unused tax losses and unabsorbed capital allowances are available indefinitely to offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they may have arisen in subsidiaries that have a recent history of losses.

19. INVENTORIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost:				
Paddy and rice	196,012	237,486	95,550	4,536
Spares and consumables	7,519	18,857	-	-
Raw materials	4,428	8,395	-	-
Finished goods	11,234	2,630	-	-
	219,193	267,368	95,550	4,536
At net realisable value:				
Paddy and rice	-	14,283	-	-
	219,193	281,651	95,550	4,536

The cost of inventories recognised as an expense during the financial year in the Group and in the Company amounted to approximately RM1,514,595,000 (2002: RM1,404,961,000) and RM739,232,000 (2002: RM541,386,000) respectively.

20. TRADE RECEIVABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Due from associates	101,482	66,818	97,721	947
Due from subsidiaries	-	-	182,804	313,775
Other trade receivables	220,696	213,546	3,490	-
Less: Provision for doubtful debts	(64,846)	(49,629)	(11,520)	-
	257,332	230,735	272,495	314,722

Included in other trade receivables of the Group is an amount of RM1,278,720 (2002: RM946,344) due from Rostaha Sdn. Bhd. and Yeoang Trading, both of which are companies in which Yeo Sa Kaw, an alternate director of Consolidated Bernas United Distributors Sdn. Bhd. (a subsidiary), has substantial financial interests.

The amounts due from subsidiaries and associates are unsecured, interest-free and are receivable in accordance with the normal credit terms granted to customers.

The Group's and Company's credit terms range from 45 to 60 days and 30 to 90 days respectively. Other credit terms are assessed and approved on a case-by-case basis.

The Group and Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors, other than the amounts due from subsidiaries and associates as stated above.

21. OTHER RECEIVABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Due from subsidiaries	-	-	104,804	176,437
Due from associates	16,659	12,567	14,280	12,567
Advances to farmers	-	4,251	-	-
Outstanding proceeds from disposal of subsidiaries	2,529	2,529	2,529	2,529
Insurance claims recoverable	8,112	13,758	8,112	13,758
Sundry receivables	40,495	43,248	5,949	10,999
Less: Provision for doubtful debts	(22,487)	(24,994)	(54,020)	(44,091)
	45,308	51,359	81,654	172,199

Included in sundry receivables of the Group is an amount of RM6,440,000 (2002: RM5,000,000) being rental deposits paid to Yew Poe Hai and Yew Chor Kooi; the former is an alternate director of YHL Holding Sdn. Bhd. (a subsidiary) and the latter is connected by virtue of his family relationship with certain directors of YHL Holding Sdn. Bhd.

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

The Group and Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors, other than the amounts due from subsidiaries and associates as stated above.

22. CASH AND BANK BALANCES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash in hand and at banks	130,860	138,765	50,957	8,308
Deposits with:				
Licensed banks	129,277	31,153	98,941	-
Other financial institutions	32,625	21,760	30,625	17,460
	292,762	191,678	180,523	25,768

22. CASH AND BANK BALANCES (CONTD.)

(a) Included in cash and bank balances of the Group and Company are:

	Group and Company	
	2003 RM'000	2002 RM'000
Amounts maintained in the sinking fund account for certain borrowings granted to the Company	30,625	17,460

(b) Deposits with licensed banks of the Group have been pledged to the banks for the following facilities:

	Group	
	2003 RM'000	2002 RM'000
(i) Credit facility granted to certain subsidiaries as referred to in Note 24	2,860	5,921
(ii) Bank guarantee facilities from licensed banks	150	1,101
	3,010	7,022

(c) The range of interest rates for deposits during the financial year were as follows:

	Group		Company	
	2003 % (per annum)	2002 % (per annum)	2003 % (per annum)	2002 % (per annum)
Licensed banks	2.8 - 4.9	2.6 - 2.8	2.8 - 2.9	2.7 - 2.8
Other financial institutions	2.7 - 2.9	2.6 - 3.5	2.8 - 2.9	2.7 - 2.8

(d) The average maturity of deposits at the end of the financial year were as follows:

	Group		Company	
	2003 Days	2002 Days	2003 Days	2002 Days
Licensed banks	30	30	30	30
Other financial institutions	10	10	7	7

Other financial institutions are licensed finance companies and merchant banks in Malaysia and other foreign banks.

23. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees.

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Present value of unfunded defined benefit obligations	34,416	47,563	16,953	25,867
Analysed as:				
Current	2,764	739	1,370	404
Non-current:				
Later than 1 year but not later than 2 years	1,272	3,389	582	615
Later than 2 years but not later than 5 years	3,123	12,167	1,182	2,382
Later than 5 years	27,257	31,268	13,819	22,466
	31,652	46,824	15,583	25,463
	34,416	47,563	16,953	25,867

The amounts recognised in the income statement are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current service cost	5,058	5,200	288	(178)
Interest cost	3,243	3,138	1,760	1,924
Total, included in staff costs (Note 6)	8,301	8,338	2,048	1,746
Write back of retirement benefit obligations (Note 9)	(20,216)	-	(14,001)	-
	(11,915)	8,338	(11,953)	1,746

The charges for the Group and Company are included in administration and other operating expenses with the exception of the write back of retirement benefit obligations pursuant to the Group's VSS (as disclosed in Note 36(c)), which is shown as an exceptional item for the current financial year.

23. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At 1 January	47,563	40,088	25,867	24,250
Amounts charged to the income statement	8,301	8,338	2,048	1,746
Amounts reversed in the income statement (Note 9)	(20,216)	-	(14,001)	-
Transfer from subsidiaries	-	-	3,761	72
Contributions paid	(1,232)	(863)	(722)	(201)
At 31 December	34,416	47,563	16,953	25,867

Principal actuarial assumptions used:

	2003 %	2002 %
Discount rate	7.0	8.0
Expected rate of salary increases	5.0	6.0

24. BORROWINGS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Short term borrowings				
Secured:				
Bank overdrafts	7,478	5,584	-	-
Revolving credits	-	1,600	-	-
US Dollar revolving credits	-	10,292	-	-
Term loans	38,192	2,164	34,800	-
Hire purchase and finance lease payables (Note 25)	2,145	2,594	-	-
	47,815	22,234	34,800	-

24. BORROWINGS (CONTD.)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Short term borrowings (Contd.)				
Unsecured:				
Bank overdrafts	12	195	-	-
Bankers' acceptances	361,401	284,929	230,219	180,919
Interest free Government loan	12,223	12,223	12,223	12,223
	<u>373,636</u>	<u>297,347</u>	<u>242,442</u>	<u>193,142</u>
	<u>421,451</u>	<u>319,581</u>	<u>277,242</u>	<u>193,142</u>
Long term borrowings				
Secured:				
Term loans	27,967	58,838	20,000	54,800
Hire purchase and finance lease payables (Note 25)	2,741	2,236	-	-
	<u>30,708</u>	<u>61,074</u>	<u>20,000</u>	<u>54,800</u>
Total Borrowings				
Bank overdrafts	7,490	5,779	-	-
Revolving credits	-	1,600	-	-
US Dollar revolving credits	-	10,292	-	-
Bankers' acceptances	361,401	284,929	230,219	180,919
Interest free Government loan	12,223	12,223	12,223	12,223
Term loans	66,159	61,002	54,800	54,800
Hire purchase and finance lease payables (Note 25)	4,886	4,830	-	-
	<u>452,159</u>	<u>380,655</u>	<u>297,242</u>	<u>247,942</u>
Maturity of borrowings (excluding hire purchase and finance lease):				
Within one year	419,306	316,987	277,242	193,142
More than 1 year and less than 2 years	22,656	1,718	20,000	-
More than 2 years and less than 5 years	3,923	56,990	-	54,800
5 years or more	1,388	130	-	-
	<u>447,273</u>	<u>375,825</u>	<u>297,242</u>	<u>247,942</u>

24. BORROWINGS (CONTD.)

The ranges of interest rates during the financial year for the above borrowings, excluding hire purchase payables are as follows:

	Group		Company	
	2003 % (per annum)	2002 % (per annum)	2003 % (per annum)	2002 % (per annum)
Bank overdrafts	7.0 - 8.0	6.9 - 8.4	-	-
Revolving credits	-	3.4 - 10.0	-	-
Bankers' acceptances	2.6 - 4.2	2.8 - 4.5	3.1 - 3.3	3.2 - 3.9
Term loans	4.0 - 10.0	4.0 - 10.0	5.0 - 6.1	5.0 - 6.1

The secured borrowings are secured by a corporate guarantee from the Company and by certain assets of the Group as disclosed in Notes 13 and 22.

25. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group	
	2003 RM'000	2002 RM'000
Minimum hire purchase and lease payments:		
Not later than 1 year	2,482	2,984
Later than 1 year and not later than 2 years	1,892	1,323
Later than 2 years and not later than 5 years	1,167	1,236
	<u>5,541</u>	<u>5,543</u>
Less: Future finance charges	(655)	(713)
Present value of hire purchase and finance lease liabilities	<u>4,886</u>	<u>4,830</u>
Present value of hire purchase and finance lease liabilities:		
Not later than 1 year	2,145	2,594
Later than 1 year and not later than 2 years	1,689	1,216
Later than 2 years and not later than 5 years	1,052	1,020
	<u>4,886</u>	<u>4,830</u>
Analysed as:		
Due within 12 months (Note 24)	2,145	2,594
Due after 12 months (Note 24)	2,741	2,236
	<u>4,886</u>	<u>4,830</u>

The hire purchase and lease liabilities bore interest at rates ranging from 6.4% to 14.9% (2002: 6.4% to 14.9%) per annum.

26. TRADE PAYABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Due to associates	36,361	2,612	36,232	2,612
Due to subsidiaries	-	-	59	-
Other trade payables	32,163	17,291	14,461	48
	<u>68,524</u>	<u>19,903</u>	<u>50,752</u>	<u>2,660</u>

Included in other trade payables of the Group is an amount of RM652,871 (2002: RM582,969) due from Fragstar Corporation Sdn. Bhd. ("FCSB"), a company in which certain directors of a subsidiary, YHL Holding Sdn. Bhd. are connected by virtue of their family relationships with the directors of FCSB.

The amounts due to subsidiaries and associates are unsecured, interest free and are payable in accordance with normal credit terms granted by creditors.

The normal credit terms granted to the Group and the Company range from 7 to 60 days and 7 to 30 days respectively.

27. OTHER PAYABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Due to subsidiaries	-	-	133,843	85,048
Due to associates	5	-	-	-
Other accruals and sundry payables	52,202	49,040	22,829	11,975
	<u>52,207</u>	<u>49,040</u>	<u>156,672</u>	<u>97,023</u>

The amounts due to subsidiaries and associates are unsecured, interest-free and have no fixed terms of repayment.

28. SHARE CAPITAL

	Number of Shares of RM1		Amount	
	2003	Each 2002	2003 RM	2002 RM
Authorised:				
At 1 January				
Special Rights Redeemable Preference Share ("Special Share") of RM1	1	1	1	1
Ordinary shares of RM1 each	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
At 31 December	1,000,000,001	1,000,000,001	1,000,000,001	1,000,000,001
Issued and fully paid:				
At 1 January				
Special Share of RM1 (note a)	1	1	1	1
Ordinary shares of RM1 each	444,213,000	292,630,000	444,213,000	292,630,000
Issued during the year in respect of:				
- bonus issue	-	148,034,500	-	148,034,500
- exercise of ESOS (note b)	40,000	3,548,500	40,000	3,548,500
At 31 December	444,253,001	444,213,001	444,253,001	444,213,001

(a) The main features of the Special Share are as follows:

- (i) The Special Share may only be held by or transferred to the Minister of Finance (Incorporated) or its successor or any Minister, representatives or any person acting on behalf of the Government of Malaysia.
- (ii) The Special Shareholder has the right to receive notice of, and to attend and speak at, all general meetings or any other meeting of any class of shareholders of the Company, but the Special Share shall carry no right to vote nor any other rights at any such meeting.
- (iii) The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate.
- (iv) Certain matters which vary the rights attached to the Special Share can only be effective with the consent in writing of the Special Shareholder, in particular matters relating to the amendment or removal or alteration of the effect of the Special Share, the creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamation, merger and take over.

28. SHARE CAPITAL (CONTD.)

- (v) The Special Shareholder has the right to review all policies, programmes, projects and commercial activities undertaken or proposed to be undertaken by the Company, the right to veto any resolution proposed to be passed by the Board of Directors or the shareholders of the Company if the Government considers that it is necessary to do so in the national interest and security of Malaysia.
- (vi) The Special Shareholder has the right to veto any resolution proposed to be passed by the Board of Directors and/or the shareholders of the Company purporting to amend the provisions of the Memorandum and Articles of Association of the Company which affects the rights or any matter relating to the Special Share or the rights attaching to the Special Share.
- (b) During the financial year, the Company increased its issued and paid up share capital by way of the issuance of 40,000 ordinary shares of RM1.00 each resulting from the exercise of employee share options for cash at an option price of RM1.17 per share.
- (c) Employees' Share Option Scheme ("ESOS")

As at 31 December 2003, the balance of shares under option which remains unexercised was 29,745,500 (2002:29,785,500). The ESOS holders who had opted for the VSS as elaborated in Note 36(c), have until September 2005 to exercise their options.

No options have been exercised subsequent to the financial year end up to 23 April 2004.

29. NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(a) Capital reserve				
Balance at 1 January/ 31 December	614	614	600	600
(b) Stockpile fluctuation reserve				
Balance at 1 January	4,266	10,558	511	511
Transfer from/(to)				
Government Stockpile	10,223	(6,292)	8,759	-
Balance at 31 December	14,489	4,266	9,270	511

29. NON-DISTRIBUTABLE RESERVES (CONTD.)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(c) Capital redemption reserve				
Balance at 1 January	18,520	18,520	7,370	7,370
Capitalisation of distributable profit of a subsidiary for bonus issue	3,000	-	-	-
Balance at 31 December	21,520	18,520	7,370	7,370
(d) Foreign exchange reserve				
Balance at 1 January	(57)	141	-	-
Arising during the year	793	(198)	-	-
Balance at 31 December	736	(57)	-	-
(e) Share premium				
Balance at 1 January	2,632	-	2,632	-
Arising from the exercise of ESOS	7	2,632	7	2,632
Balance at 31 December	2,639	2,632	2,639	2,632
	39,998	25,975	19,879	11,113

30. RETAINED PROFITS

As at 31 December 2003, the Company has tax exempt profits available for distribution of approximately RM99,097,757 (2002: RM99,097,757), subject to agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and balance in the tax exempt account to frank the payment of dividends out of its entire retained profits as at 31 December 2003.

31. PADDY PRICE SUBSIDY ACCOUNT

The Company is vested with the responsibility to administer the Government's Paddy Price Subsidy Scheme. The movement of the paddy price subsidy account which represents the paddy price subsidy to be distributed to the registered paddy farmers on behalf of the Government are as follows:

	Group	
	2003	2002
	RM'000	RM'000
Balance at 1 January	54,773	30,653
Add: Government subsidy funds received	476,000	438,000
Interest income	1,679	3,541
Less: Payments during the year	(447,725)	(417,421)
Balance at 31 December	84,727	54,773

The amounts were not included in the assets and liabilities of the Group.

Pursuant to the Corporatisation Agreement dated 12 January 1996, the Government shall deposit the subsidy fund into such bank accounts of licensed banks or financial institutions and operated by the Group for the sole purpose of disbursements of subsidies. The unutilised portion of the funds under the Paddy Price Subsidy Scheme given by the Government is to be placed into such fixed deposit accounts with such licensed banks or financial institutions approved by the Government.

32. CHANGES IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT

(a) Changes in Accounting Policies

During the financial year, the Group and the Company adopted four new MASB Standards, which became effective from 1 January 2003, and accordingly modified certain accounting policies. The change in accounting policy which resulted in a prior year adjustment is discussed below:

32. CHANGES IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT (CONTD.)

(a) Changes in Accounting Policies (Contd.)

MASB 25 : Income Taxes

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

Under MASB 25, acquisition cost is allocated to identifiable assets and liabilities acquired by reference to their fair values at the date of the transaction. Previously, the effect on the temporary taxable difference of RM18,034,975 between the tax bases and carrying value of the identifiable assets arising from the acquisition of Jasmine Rice Mill (Tunjang) Sdn. Bhd. and its subsidiary ("JRMT Group") was not recognised as the directors had no intention to dispose the identifiable assets. This change has resulted in an increase in the Group's carrying amount in goodwill and deferred tax liabilities by RM1,463,290 (2002: RM1,517,273) and RM2,698,298 (2002: RM2,801,168) respectively.

(b) Prior Year Adjustment

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Effects on retained profits:				
At 1 January, as previously stated	128,183	275,077	102,389	234,690
Effects of adopting MASB 25				
- on recognition of deferred tax assets	27,062	13,411	27,062	13,411
- on temporary differences arising from acquisition of JRMT Group	88	90	-	-
At 1 January, as restated	155,333	288,578	129,451	248,101

32. CHANGES IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT (CONTD.)

(b) Prior Year Adjustment (Contd.)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Effects on net (loss)/ profit for the year:				
Net (loss)/profit before changes in accounting policy	(14,883)	22,406	(12,896)	36,999
Effects of adopting MASB 25				
- on recognition of deferred tax assets	(3,997)	13,651	(3,997)	13,651
- on temporary differences arising from acquisition of JRMT Group	(2)	(2)	-	-
Net (loss)/profit for the year	(18,882)	36,055	(16,893)	50,650

Other comparative amounts as at 31 December 2002 have been restated as follow:

	As Restated RM'000	Adjustments RM'000	As Previously Stated RM'000
Group			
Minority interests	54,567	(1,372)	55,939
Goodwill on consolidation	10,002	1,517	8,485
Deferred tax liabilities	10,664	2,801	7,863
Deferred tax assets	27,062	27,062	-
Company			
Deferred tax assets	27,062	27,062	-

33. COMMITMENTS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Capital expenditure:				
Approved and contracted for:				
Property, plant and equipment	14,667	17,011	-	-
Investments	22,540	32,343	8,000	8,000
	<u>37,207</u>	<u>49,354</u>	<u>8,000</u>	<u>8,000</u>
Approved but not contracted for:				
Property, plant and equipment	-	12,761	-	-
Others	-	1,271	-	1,271
	<u>-</u>	<u>14,032</u>	<u>-</u>	<u>1,271</u>
	<u>37,207</u>	<u>63,386</u>	<u>8,000</u>	<u>9,271</u>

34. CONTINGENT LIABILITIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unsecured				
Corporate guarantee for bank facilities of certain subsidiaries	-	-	109,698	102,198
Corporate guarantee for bank facilities of associates				
- Active Agri Company Limited *	7,600	7,600	-	-
- Bernas Feedstuff Sdn. Bhd.	3,400	3,400	3,400	3,400
- Serba Wangi Sdn. Bhd.	40,000	10,000	40,000	10,000
- Keongco (M) Sdn. Bhd.	2,000	2,000	2,000	2,000
Corporate guarantee for bank facilities granted to a company in which the Group has interest	-	2,315	-	-

*Active Agri Company Limited is an associate of Keongco Holdings Sdn. Bhd., an associate of the Company.

34. CONTINGENT LIABILITIES (CONTD.)

On 12 November 2003, Malimex Company Ltd. ("Malimex"), a company incorporated in Cambodia has served a Statement of Case dated 7 November 2003, under the rules of the Singapore International Arbitration Centre ("SIAC"), to the Company's solicitors in Singapore.

The arbitration is in respect of a dispute arising from a Supply and Procurement Agreement dated 23 July 2001 entered into between the Company and Malimex. In the said arbitration proceeding, Malimex has claimed damages to the amount of USD4,710,395 which is equivalent to RM17,899,501. On 12 December 2003, the Company lodged its defence to the claim and the counter claim to the amount of USD11,900,950 which is equivalent to RM45,223,610.

The hearing dates for the arbitration case were initially fixed for 3 to 11 May 2004. However, the Tribunal under the SIAC has allowed an application by both parties to vacate the present hearing date and the new hearing dates will be fixed and agreed upon by the parties.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2003 RM'000	2002 RM'000
(a) Purchases from and services rendered by subsidiaries	230,029	72,843
(b) Sales to subsidiaries	763,817	697,894
(c) Financial assistance ("grant") given to Bernas Production Sdn. Bhd.	60,000	66,000
(d) Sales to associates		
- Bernas Feedstuff Sdn. Bhd.	-	27,671
- Serba Wangi Sdn. Bhd. and its subsidiaries	121,726	189,296
- OEL Realty Holdings Sdn. Bhd. and its subsidiaries	32,192	-
(e) Purchases from associates		
- Qaiser Noman Bernas (Pvt) Limited	42,577	37,774
- Asian Peninsula Corporation Ltd	356,876	268,178

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

		Group	
		2003	2002
		RM'000	RM'000
(f)	Transactions with subsidiaries' director related companies and other related parties		
(i)	Syarikat Faiza Sdn. Bhd. ("SFSB")		
	Transport charges paid to Iman Cargo and Freight Services Sdn. Bhd., a company owned by the son of a director of SFSB, Faiza Bawumi Sayed Ahmad	251	727
(ii)	Jasmine Food Corporation Sdn. Bhd. Group ("JFC")		
	Purchases from Jasmine Rice Mill (Kerpan) Sdn. Bhd., a company in which a director of JFC, Lim Kiam Lai @ Lim Kean Lai is a substantial shareholder	3,854	3,053
	Sales to Joo Seng Enterprise, an entity in which directors of JS Jasmine Sdn. Bhd., Tee Sin Joo and Tee Sin Kong have substantial financial interest	2,005	2,160
	Rental of premises paid to Asian Net Sdn. Bhd., a company in which the directors of JFC and its subsidiaries have substantial financial interest	687	648
	Sales to Joo Seng Hup Kee, an entity in which a director of JS Jasmine Sdn. Bhd., Tee Sin Joo has a substantial financial interest	757	952
	Sales to Aroma Beras Edar, an entity in which directors of JS Jasmine Sdn. Bhd., Tee Sin Joo and Tee Sin Kong, have substantial financial interest	556	551
	Transport charges paid to Nagoya Agency, an entity owned by a person connected to certain directors and shareholders of Jasmine Rice Mill (Tunjang) Sdn. Bhd. and Jasmine Rice Products Sdn. Bhd.	1,976	1,930

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

		Group	
		2003	2002
		RM'000	RM'000
(iii)	Consolidated Bernas United Distributors Sdn. Bhd. ("CBUD")		
	Sales to Yeoang Trading, a company in which an alternate director of CBUD, Yeo Sa Kaw has substantial financial interest	4,030	4,821
	Sales to Rostaha Sdn. Bhd., a company in which an alternate director of CBUD, Yeo Sa Kaw has substantial financial interest	5,658	5,764
	Sales to United Rice Wholesalers Enterprise Sdn. Bhd. ("URWE"), a company in which certain directors of CBUD namely Lim Eng Tat, Chew Keng Kuang and Ng Chin @ Ng Chee Len have financial interest	1,321	534
(iv)	YHL Holding Sdn. Bhd. Group ("YHLH")		
	Sales to Recent Giant Sdn. Bhd. ("RGSB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of RGSB	4,754	4,369
	Transport charges paid to Sin Hock Soon Transport Sdn. Bhd ("SHST"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of SHST	4,592	4,083
	Rental of premises paid to Southern Edipro Packaging Sdn. Bhd. ("SEPSB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of SEPSB	1,452	1,980
	Upkeep and maintenance charges paid to SHS Engineering Sdn. Bhd. ("SHSE"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of SHSE	871	988

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	Group	
	2003 RM'000	2002 RM'000
(iv) YHL Holding Sdn. Bhd. Group ("YHLH") (Contd.)		
Rental of premises paid to Yew Chye Seng Holdings Sdn. Bhd. ("YCSH"), a company in which certain directors of YHLH are connected by virtue of their family relationship with the directors of YCSH	540	598
Rental of premises paid to Yew Chye Seng, a director of YHLH	374	587
Rental of central processing plant paid to Yew Poe Hai and Yew Chor Kooi; the former is an alternate director in YHLH and the latter is connected by virtue of his family relationship with certain directors of YHLH	1,440	2,880
Rental of premises paid to Eternal Promenade Sdn. Bhd. ("EPSB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of EPSB	1,896	2,612
Hire of motor vehicles paid to Dayangbina Engineering Sdn. Bhd. ("DESB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of DESB	3,665	4,183
Purchases of packing material from Fragstar Corporation Sdn. Bhd. ("FCSB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of FCSB	6,898	4,864
(v) Sazarice Sdn. Bhd.		
Transport charges paid to Tan Kien Chong Sdn. Bhd., a company in which a director of Sazarice Sdn. Bhd., Tan Kien Chong, is a substantial shareholder	1,632	1,595

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

		Group	
		2003	2002
		RM'000	RM'000
(vi)	Ban Say Tong Sdn. Bhd. ("BST")		
	Sales to Ban Say Tong, an entity owned by Kueh Peng Ho, a director and substantial shareholder of BST	2,364	2,330

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

36. OTHER SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) On 9 May 2002, the Company's wholly owned subsidiary, Edaran Beras Nasional Sdn. Bhd. ("EBNSB"), entered into a share sale agreement with the shareholders of OEL Realty Holdings Sdn. Bhd. ("OEL") for the purpose of the acquisition of 620,772 ordinary shares of RM1.00 each, equivalent to 51% interest in OEL. OEL is an investment holding company with subsidiaries principally engaged as wholesalers of rice and bran.

On 11 August 2003, after further discussions and negotiations, EBNSB and the shareholders of OEL entered into a deed of termination. This deed effectively revokes and terminates the previous agreements entered into by EBNSB and the shareholders of OEL.

Also on 11 August 2003, the Company entered into a separate share sale agreement to acquire 365,160 ordinary shares of RM1.00 each representing 30% equity interest in OEL for RM2,078,083. The acquisition was completed on 11 August 2003.

- (b) On 30 July 2002, BCSB entered into a Memorandum of Agreement ("MoA") with Guan On Rice Mill Sdn. Bhd. ("Guan On") for the purpose of carrying on activities involving paddy farming, farm mechanisation services and rice milling by using Bernas Agrogreen Sdn. Bhd. ("Agrogreen") as the joint venture vehicle.

The venture involves the sale of certain assets by Guan On to Agrogreen and the sale of non-related assets and other business by Guan On to BCSB. In consideration of Guan On transferring certain assets to Agrogreen, Agrogreen shall allot and issue 2,450,000 new ordinary shares of RM1.00 each to Guan On.

In consideration of Guan On transferring the other assets and business to BCSB, BCSB shall pay Guan On an amount of RM2,740,000 as cash.

On 27 December 2002, BCSB and Guan On signed a Conditional Business Acquisition Agreement and a Shareholders' Agreement. BCSB's proposed equity interest in Agrogreen is 51% with Guan On having the remaining 49%.

On 25 March 2003, the Foreign Investment Committee had approved the Business Acquisition Agreement between BCSB, Agrogreen and Guan On subject to the condition that Agrogreen maintains at least 30% Bumiputra equity at all times. The acquisition has not been completed to date.

36. OTHER SIGNIFICANT AND SUBSEQUENT EVENTS (CONTD.)

- (c) On 11 September 2003, in an announcement to Bursa Malaysia Securities Berhad, the Company stated that it had undertaken a Voluntary Separation Scheme involving 3,196 employees within the Group. The objectives of the VSS are to achieve operational efficiency and to increase the financial viability of the Group. The implementation of the VSS had been approved by the Government on 29 August 2003.

The VSS involved the employees of the following companies within the Group:

- (i) The Company
- (ii) Bernas Marditech Seed Sdn. Bhd.
- (iii) Edaran Beras Nasional Sdn. Bhd.
- (iv) Beras Corporation Sdn. Bhd.
- (v) Bernas Dominals Sdn. Bhd.
- (vi) Bernas Overseas (L) Limited
- (vii) Bernas Logistics Sdn. Bhd.
- (viii) Bernas Engineering & Technology Sdn. Bhd.
- (ix) P.B. Construction & Supplies Sdn. Bhd.
- (x) Bernas Realty & Development Sdn. Bhd.

A total of 1,603 employees of the Group had their VSS application approved by the management and received their VSS pay-out by 31 December 2003. The effects of this exercise on the current year's financial statements are as disclosed in Notes 9 and 23.

- (d) On 19 March 2004, in an announcement to the Bursa Malaysia Securities Berhad, the Company stated that it had entered into a Memorandum of Agreement ("MOA") for the proposed disposal of up to 12,000,000 ordinary shares of RM1.00 each representing 75% equity interest in Bernas Logistics Sdn. Bhd., a wholly owned subsidiary of the Company to Johor Port Berhad. The parties are in the midst of negotiating the terms and conditions of the sale and purchase agreement.

37. SUBSIDIARIES AND ASSOCIATES

(A) SUBSIDIARIES

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2003	2002	
Incorporated in Malaysia			
Edaran Logistik Nasional Sdn. Bhd. (formerly known as Edaran Beras Nasional Sdn. Bhd.)	100	100	Dormant
Era Bayam Kota Sdn. Bhd.	60	60	Trader, distributor and supplier of rice
Syarikat Faiza Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
Lee Hup & Company Sendirian Berhad	25.5	25.5	Processing and trading of rice and other groceries
Bernas Food Catering Sdn. Bhd.	100	100	Dormant
Consolidated Bernas United Distributors Sdn. Bhd.*	50% + 1 share	50 + 1 share	Rice trading
Machind Realty Sdn. Bhd.*	86	86	Dormant
Jasmine Food Corporation Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
Jasmine Food (Ipoh) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
Jasmine Food (Alor Setar) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
Jasmine Food (Johor Bahru) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
Jasmine Khidmat & Harta Sdn. Bhd.	51	51	Letting of properties
JS Jasmine Sdn. Bhd.*	26	26	Trader, distributor and supplier of rice
Jasmine Food (Seremban) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice

37. SUBSIDIARIES AND ASSOCIATES (CONTD.)

(A) SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2003	2002	
Incorporated in Malaysia (Contd.)			
Jasmine Food (Prai) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
YHL Holding Sdn. Bhd.	51	51	Investment holding
YHL Trading (KL) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
YHL Trading (Johor) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
YHL Trading (Segamat) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
YHL Trading (Kedah) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
YHL Trading (Melaka) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
YHL Trading (Terengganu) Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
YHL (Kuantan) Sdn. Bhd.	51	51	Dormant
Bernas Production Sdn. Bhd.	100	100	Processing and trading of rice
Jasmine Rice Mill (Tunjang) Sdn. Bhd.	51	51	Rice miller and rice trader
Jasmine Rice Products Sdn. Bhd.	51	51	Manufacturing and sale of vermicelli
Bernas Marditech Seed Sdn. Bhd.	75.5	75.5	Paddy seed production
BM Agrotech Sdn. Bhd.	61	61	Investment holding
Padi Gedong Sdn. Bhd.	61	61	Letting of machinery

37. SUBSIDIARIES AND ASSOCIATES (CONTD.)

(A) SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2003	2002	
Incorporated in Malaysia (Contd.)			
Beras Corporation Sdn. Bhd.	100	100	Processing and trading of rice
Sazarice Sdn. Bhd.	68	68	Trader, distributor and supplier of rice
Dayabest Sdn. Bhd.	100	100	Trader, distributor and supplier of rice
Haskarice Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
Hock Chiong Foodstuff Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
Ban Say Tong Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
Tong Seng Huat Rice Trading Sdn. Bhd.	51	51	Trader, distributor and supplier of rice
Bernas Dominals Sdn. Bhd.	100	100	Investment holding
Bernas Chaff Products Sdn. Bhd.	51	51	Manufacturing and trading of horse feed
Bernas Logistics Sdn. Bhd.	100	100	Provision of logistics services
Bernas Engineering & Technology Sdn. Bhd.	100	100	Provision of engineering and construction services
P.B. Construction & Supplies Sdn. Bhd.	100	100	Provision of civil and mechanical engineering services
Bernas Realty & Development Sdn. Bhd.	100	100	Maintenance of business premises and provision of consultancy services
Bernas Overseas (L) Limited	100	100	Offshore investment holding company

37. SUBSIDIARIES AND ASSOCIATES (CONTD.)

(A) SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2003	2002	
Incorporated in Malaysia (Contd.)			
Valorlite Resources Sdn. Bhd.	100	100	Dormant
Bernas Utama Sdn. Bhd.	100	100	Dormant
Bernas Perdana Sdn. Bhd.	100	100	Dormant
Belikmat Corporation Sdn. Bhd.	100	100	Dormant
Bernas (Sabah) Sdn. Bhd.	100	100	Dormant
Bernas (Sarawak) Sdn. Bhd.	100	100	Dormant
Bernas Shipping Agencies Sdn. Bhd.	100	100	Dormant
Bernas Organic Soil (M) Sdn. Bhd.	100	100	Dormant
Bernas Agroproduce Sdn. Bhd.	100	100	Dormant
Rib Beef Sdn. Bhd.	100	100	Dormant
Bernas Fisheries Sdn. Bhd.	100	100	Dormant
Bernas-KME Sdn. Bhd.	100	100	Dormant
Bernas Agrogreen Sdn. Bhd.	100	100	Dormant
Bernas Marditech Project Development Sdn. Bhd.	61	61	Dormant
Incorporated in the British Virgin Islands			
Selsun Ltd **	-	100	Dormant

37. SUBSIDIARIES AND ASSOCIATES (CONTD.)

(A) SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2003	2002	
Incorporated in the British Virgin Islands (Contd.)			
Silver Glen International Ltd **	-	51	Dormant
Bernas China Corporation	95	95	Rice trading
Incorporated in the Republic of Guinea			
Societe Bernas De Guinee *	80	80	Paddy cultivation, processing, trading and poultry

* Audited by a firm of auditors other than Hanafiah Raslan & Mohamad.

** Deregistered during the year.

(B) ASSOCIATES

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2003	2002		
Incorporated in Malaysia				
Gardenia Bakeries (KL) Sdn. Bhd.	30	30	31 December	Bread manufacturing and bakery
Bernas Feedstuff Sdn. Bhd.	49	49	31 December	Manufacturing, and trading of animal feed
Bernas In Line Agencies Sdn. Bhd.	49	49	31 December	Provision of freight services
Kilang Beras Fajar Sdn. Bhd.	49	49	31 December	Dormant
Fajar Jerlun Sdn. Bhd.	49	49	31 December	Dormant

37. SUBSIDIARIES AND ASSOCIATES (CONTD.)

B) ASSOCIATES (CONTD.)

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2003	2002		
Incorporated in Malaysia (Contd.)				
Fajar Jerlun (Negeri Sembilan) Sdn. Bhd.	49	49	31 December	Dormant
Formula Timur Sdn. Bhd.	40	40	30 April	Rice distributor
Ban Heng Bee (1952) Rice Mill Sdn. Bhd.	20	20	31 December	Rice miller
Serba Wangi Sdn. Bhd.	52	52	31 December	Trader, distributor and supplier of rice
Serba Wangi (KL) Sdn. Bhd.	52	52	31 December	Trader, distributor and supplier of rice
Serba Wangi JH Sdn. Bhd.	26.5	26.5	31 December	Trader, distributor and supplier of rice
Serba Wangi (PG) Sdn. Bhd.	46.8	46.8	31 December	Trader, distributor and supplier of rice
Serba Wangi (Perak) Sdn. Bhd.	52	52	31 December	Trader, distributor and supplier of rice
Eng Chuan Chan Sdn. Bhd.	41.6	41.6	31 December	Trader, distributor and supplier of rice
Serba Wangi ML Sdn. Bhd.	26.5	26.5	31 December	Trader, distributor and supplier of rice

37. SUBSIDIARIES AND ASSOCIATES (CONTD.)

B) ASSOCIATES (CONTD.)

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2003	2002		
Incorporated in Malaysia (Contd.)				
SW Transport Sdn. Bhd.	52	52	31 December	Provision of transport services
Rasayang Food Industries Sdn. Bhd.	50	50	31 December	Vermicelli manufacturer
Keongco Holdings Sdn. Bhd.	20	20	31 December	Investment holding
Keongco Malaysia Sdn. Bhd.	20	20	31 December	Investment holding and importing, wholesaling and exporting commodities consisting of garlic, onion, dried chillies, ginger, beans and rice
Honeyco Food Industries Sdn. Bhd.	20	20	31 December	Processing and sale of fried onions
Central Eight (M) Sdn. Bhd.	20	20	31 December	Letting of properties
OEL Realty Holdings Sdn. Bhd.	30	-	31 December	Investment holding
Ong Eng Lee (Trading) Sdn. Bhd.	30	-	31 December	Trader, distributor and supplier of rice
Sing Weng Guan Enterprise Sdn. Bhd.	30	-	31 December	Trader, distributor and supplier of rice

37. SUBSIDIARIES AND ASSOCIATES (CONTD.)

B) ASSOCIATES (CONTD.)

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2003	2002		
Incorporated in Malaysia (Contd.)				
Bintangtara Sdn. Bhd.	30	-	31 December	Trader, distributor and supplier of rice
OEL Wawasan Enterprise Sdn. Bhd.	30	-	31 December	Trader, distributor and supplier of rice
Perusahaan Kargo Selatan Sdn. Bhd.	30	-	31 December	Trader, distributor and supplier of rice
Setia Saujana Sdn. Bhd.	18	-	31 December	Trader, distributor and supplier of rice
Best Field Enterprise Sdn. Bhd.	18	-	31 December	Trader, distributor and supplier of rice
Incorporated in Thailand				
Asian Peninsula Corporation Ltd	49	49	31 December	Rice trading
Incorporated in Pakistan				
Qaiser Noman Bernas (Pvt) Limited	50	50	30 June	Rice trading

38. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of a change in accounting policy as disclosed in Notes 2(a) and 32 and as follows:

	As Restated RM'000	Adjustments RM'000	As Previously Stated RM'000
Group			
Tax recoverable	30,208	30,208	-
Trade receivables	230,735	66,818	163,917
Other receivables	51,359	(97,026)	148,385
Trade payables	19,903	2,612	17,291
Other payables	49,040	(2,612)	51,652
Company			
Tax recoverable	21,735	21,735	-
Trade receivables	314,722	314,722	-
Other receivables	172,199	(336,457)	508,656
Trade payables	2,660	2,612	48
Other payables	97,023	(2,612)	99,635

39. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt as at 31 December 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

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

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

39. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar and Guinee Franc. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. There are no material unhedged financial assets and financial liabilities that are not denominated in the functional currencies of the Company and its subsidiaries.

(d) Liquidity Risk

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

(e) Credit Risk

Credit risks, or the risks of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group and the Company do not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments other than as disclosed in Notes 20 and 21.

39. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values

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

	Note	Group		Company	
		Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets					
At 31 December 2003:					
Amounts due from subsidiaries and associates	21	16,659	•••	119,084	•••
At 31 December 2002:					
Amounts due from subsidiaries and associates	21	12,567	•••	189,004	•••
Financial Liabilities					
At 31 December 2003:					
Amounts due to subsidiaries and associates	27	5	•••	133,843	•••
Hire purchase and finance lease payables	25	4,886	5,884	-	-
At 31 December 2002:					
Amounts due to subsidiaries and associates	27	-	•••	85,048	•••
Hire purchase and finance lease payable	25	4,830	5,996	-	-

- It is not practical to estimate the fair values of amounts due to/from related corporations and associates due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs.

39. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Value (Contd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Receivables, Payables and Short Term Borrowings

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

(ii) Quoted Shares

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

The carrying value of term loans which have floating interest rates, approximates their fair values determined using discounted cash flow analysis based on current interest rates for similar types of borrowings.

It is not practical to estimate the fair value of contingent liabilities (as disclosed in Note 34) reliably due to uncertainties of timing, costs and eventual outcome.

40. SEGMENT INFORMATION

The activities of the Group during the current and previous financial years substantially relate to the procurement, importing, buying, processing and selling of rice, rice by-products and paddy and were predominantly conducted in Malaysia.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

ANALYSIS OF SHAREHOLDING

as at 19 April 2004

Authorised Capital : RM1,000,000,001.00
 Issued & Fully Paid Up Capital : RM444,253,001.00 consisting of 444,253,000 ordinary shares of RM1.00 each and 1 Special Rights Redeemable Preference Share of RM1.00.

Distributions schedules of equity

as at 19 April 2004

Holdings	No. of holders	No. of shares	%
Less than 100	38	2,564	0
100 – 1,000	1,224	1,098,436	0.25
1,000 – 10,000	15,809	50,688,500	11.41
10,001 – 100,000	2,309	59,319,900	13.35
100,001 < 5% of issued shares	176	158,170,601	35.60
5% & above of issued shares	3	174,973,000	39.39

Category of shareholders of each class

as at 19 April 2004

Category	No. of holders	No. of shares	%
Individuals	17,278	101,600,065	22.87
Bank/ Finance Companies	70	32,117,000	7.23
Trusts/Foundation/Charity	86	3,809,700	0.86
Private/Limited Companies	301	184,762,950	41.59
Government Agencies/Institutions	4	20,361,401	4.58
Nominees	1,820	101,601,885	22.87

Substantial shareholders

as at 19 April 2004

Name	No. of Shares Held		% of Issued Capital
	Direct	Indirect	
1. Budaya Generasi (M) Sdn Bhd	121,392,000	*23,437,500	32.60
2. Serba Etika Sdn Bhd	30,143,500	**250,000	6.84
3. Employees Provident Fund Board	13,368,300	***9,214,800	5.08

Notes

* By virtue of shares held through Mayban Nominees (Tempatan) Sdn Bhd

** By virtue of shares held through MIDF Sisma Nominees (Tempatan) Sdn Bhd

*** By virtue of shares held through PHEIM Asset Management Sdn Bhd & MIDF Aberdeen Asset Management Sdn Bhd

Top thirty (30) shareholders

as at 19 April 2004

No.	Shareholders	No. of Shares Held	%
1.	Budaya Generasi (M) Sdn Bhd	121,392,000	27.33
2.	Serba Etika Sdn Bhd	30,143,500	6.79
3.	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Sec. Acc for Budaya Generasi (M) Sdn Bhd</i>	23,437,500	5.28
4.	Lembaga Tabung Angkatan Tentera	20,167,900	4.54
5.	Cartaban Nominees (Asing) Sdn Bhd <i>Credit Suisse Singapore - Wang Tak Company Limited</i>	18,680,800	4.21
6.	Perbadanan Nasional Berhad	16,456,500	3.70
7.	Employees Provident Fund Board	13,368,300	3.01
8.	Lembaga Tabung Haji	12,058,200	2.71
9.	Alliance Group Nominees (Tempatan) Sdn Bhd <i>PHEIM Asset Management Sdn Bhd for Employees Provident Fund Board</i>	4,986,800	1.12
10.	Permodalan Nasional Berhad	4,611,100	1.04
11.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>BNP Paribas Nominees Singapore Pte Limited for Contend Investment Ltd</i>	3,279,000	0.74
12.	AMMB Nominees (Tempatan) Sdn Bhd <i>Assar Asset Management Sdn Bhd for Tabung Baitulmal Sarawak</i>	2,895,000	0.65
13.	Universal Trustee (Malaysia) Berhad <i>Malaysian Assurance Alliance Berhad</i>	2,400,000	0.54
14.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Dana Al-Aiman</i>	2,277,000	0.51
15.	Yayasan Pok Rafeah Berdaftar	2,250,000	0.51
16.	AMMB Nominees (Tempatan) Sdn Bhd <i>MIDF Aberdeen Asset Management Sdn Bhd for Employees Provident Fund (No. 2 7/863-0)</i>	2,176,500	0.49
17.	PRB Nominees (Tempatan) Sdn Bhd <i>Rubber Industry Smallholders Development Authority</i>	1,977,000	0.45
18.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>UBS AG Singapore for Pacific Investment Fund</i>	1,680,000	0.38

No.	Shareholders	No. of Shares Held	%
19.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>PHEIM Asset Management Sdn Bhd for Employees Provident Fund (029)</i>	1,651,000	0.37
20.	Quarry Lane Sdn Bhd	1,500,000	0.34
21.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities for Lee Keng Hong</i>	1,491,000	0.34
22.	CIMB Nominees (Tempatan) Sdn Bhd <i>Economic Planning Unit Approved Investors</i>	1,374,000	0.31
23.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>BNP Paribas Nominees Singapore Pte Limited for Cablestar Limited</i>	1,225,000	0.28
24.	Citicorp Nominees (Asing) Sdn Bhd <i>CBNY for DFA Emerging Markets Fund</i>	1,067,100	0.24
25.	Batu Bara Resources Corporation Sdn Bhd	1,055,500	0.24
26.	Bumiputra-Commerce Trustee Berhad <i>Amanah Saham Darul Iman</i>	1,017,000	0.23
27.	AMMB Nominees (Tempatan) Sdn Bhd <i>KAF Fund Management Sdn Bhd (7/862-1)</i>	936,000	0.21
28.	Lim Cher Seng	885,500	0.20
29.	Batu Bara Sdn Bhd	834,000	0.19
30.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lee Soo Ming (AL001)</i>	800,000	0.18

LIST OF LANDED PROPERTIES

as at 31 December 2003

Location	Existing Use	Tenure & Expiry Date	Age of Buildings	Land Area Hectare (ACRE)	Net Book Value as At 31 Dec 2003	Date of Revaluation/ Date of Acquisition
PERLIS						
HS (M)682, PT242 Mukim Sanglang Negeri Perlis	Rice mill complex	Lease 6/7/2024	1974	4.05 (10.00)	1.00	1996
HS (D) 1203 PT 136, Mukim Kuala Perlis Negeri Perlis	Rice mill complex	Lease 6/7/2024	1985	4.34 (10.72)	1.00	1996
GM1514 Lot 2074, Utan Aji Negeri Perlis	Rice mill complex	Lease 6/7/2024	1971	1.98 (4.89)	1.00	1996
PT 1265 Mukim Sanglang Negeri Perlis	Vacant land	Lease 6/7/2054	-	8.55 (21.12)	1.00	1996
Lot 1628 Mukim Arau Negeri Perlis	Drying complex/ Warehouse	Lease 6/7/2054	1931/1971	0.83 (2.04)	1.00	1996
GK 1/1341 Mukim Arau Negeri Perlis	Drying complex/ Warehouse	Lease 6/7/2024	1931/1971	1.74 (4.29)	1.00	1996
KEDAH						
HS (M) 23/1984 PT 570 Mukim Putat Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2044	1975	0.71 (1.75)	1.00	1996
HS (M) 111 PT 437, Mukim Putat Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2024	1975	3.49 (8.61)	1.00	1996
HS (M) 6/1977 PT 30, Mukim Bukit Raya Daerah Pendang	Rice mill complex	Lease 6/7/2054	1973	2.02 (5.00)	1.00	1996
HS (M) 1/1979 PT 28, Mukim Bukit Raya Daerah Pendang	Rice mill complex	Lease 6/7/2024	1973	0.66 (1.64)	1.00	1996
GM 42, Lot 3, Sek.1 Bandar Guar Chempedak Daerah Yan	Rice mill complex	Lease 6/7/2054	1975	0.50 (1.24)	1.00	1996
HS (M) 46, Mukim Yan, Daerah Yan	Rice mill complex	Lease 6/7/2054	1975	0.91 (2.24)	1.00	1996
GM 186, Lot 4728 Mukim Yan, Daerah Yan	Rice mill complex	Lease 6/7/2054	1975	2.53 (6.25)	1.00	1996
PM 2, Lot 5440, Mukim Yan, Daerah Yan	Rice mill complex	Lease 6/7/2054	1975	1.72 (4.24)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Age of Buildings	Land Area Hectare (ACRE)	Net Book Value as At 31 Dec 2003	Date of Revaluation / Date of Acquisition
GM 83, Lot 615 Mukim Sungai Baru Daerah Kota Setar	Rice mill complex	Lease 6/7/2024	1972	1.95 (5.00)	1.00	1996
PM 1, Lot 653 Mukim Sungai Baru Daerah Kota Setar	Rice mill complex	Lease 6/7/2024	1972	1.65 (4.09)	1.00	1996
HS (M) 1/1993, PT 70 Mukim Kubang Rotan Daerah Kota Setar	Rice mill complex	Lease 6/7/2054	1972	0.81 (2.00)	1.00	1996
HS (M) 2/1993, PT 71 Mukim Kubang Rotan Daerah Kota Setar	Rice mill complex	Lease 6/7/2053	1972	0.42 (1.04)	1.00	1996
HS (M) 1/1979, PT 2 Mukim Kangkong Daerah Kota Setar	Rice mill complex	Lease 6/7/2024	1972	2.12 (5.25)	1.00	1996
HS (M) 2/1995, PT 740 Mukim Kangkong Daerah Kota Setar	Rice mill complex	Lease 6/7/2054	1982	2.02 (5.00)	1.00	1996
GM 148, Lot 3724 Mukim Sungai Daun Daerah Yan	Rice mill complex	Lease 6/7/2024	1972	2.08 (5.14)	1.00	1996
PM 1, Lot 4030 Mukim Sungai Daun Daerah Yan	Rice mill complex	Lease 6/7/2054	1982	1.61 (3.98)	1.00	1996
GM 868, Lot 4049 Mukim Jerlun Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2024	1975	3.86 (9.53)	1.00	1996
GM 1841, Lot 4424 Mukim Jerlun Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1975	3.20 (7.90)	1.00	1996
HS (M) 1/1982, PT 9 Mukim Telok Kechai Daerah Kota Setar	Rice mill complex	Lease 6/7/2054	1975	1.03 (2.50)	1.00	1996
GM 79, Lot 625 Mukim Telok Kechai Daerah Kota Setar	Rice mill complex	Lease 6/7/2024	1975	2.38 (5.40)	1.00	1996
HS (M) 3/1992, PT 1535 Mukim Telok Kechai Daerah Kota Setar	Rice mill complex	Lease 6/7/2052	1975	1.79 (4.41)	1.00	1996
HS (M) 2/1974, PT 3 Mukim Telok Kechai Daerah Kota Setar	Rice mill complex	Lease 6/7/2054	1975	1.56 (3.84)	1.00	1996
HS (D) 2/93, PT 1934 Mukim Pering Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1988	4.63 (11.45)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Age of Buildings	Land Area Hectare (ACRE)	Net Book Value as At 31 Dec 2003	Date of Revaluation / Date of Acquisition
HS (M) 6/1987 PT 1228, Mukim Kepelu Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1988	0.13 (0.32)	1.00	1996
HS (M) 117, PT 668 Mukim Pering Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2024	1988	4.63 (11.45)	1.00	1996
GM 843, Lot 3346 Mukim Kepelu Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1972	2.00 (4.93)	1.00	1996
HS (M) 9/1995, PT 1652 Mukim Kepelu Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1972	0.67 (1.66)	1.00	1996
GM 344, Lot 2190 Mukim Jitra Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1972	1.84 (4.55)	1.00	1996
GM 473, Lot 3050 Mukim Tualang Daerah Pokok Sena	Rice mill complex	Lease 6/7/2024	1972	2.02 (5.00)	1.00	1996
HS (D) 2721/89, PT 13 Mukim Pekula Daerah Kuala Muda	Vacant land	Lease 6/7/2054	-	8.41 (20.79)	1.00	1996
G 3409, Lot 7773 Mukim Tunjang Daerah Kubang Pasu	Vacant land	Lease 6/7/2053	-	4.12 (10.18)	1.00	1996
HS (M) 28-93 Lot 1894 Mukim Ulu Melaka Langkawi	Vacant land	Lease 6/7/2053	-	2.81 (6.94)	1.00	1996
GM 3043, Lot 7773 Mukim Sala Besar Daerah Yan	Rice mill complex	Lease 6/7/2024	1975	3.56 (8.79)	1.00	1996
GM 1315, Lot 3977 Mukim Jerlun Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2024	1972	2.22 (4.23)	1.00	1996
HS (M) 15/1981 PT 1215 Mukim Jerlun Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1982	1.87 (4.62)	1.00	1996
PULAU PINANG						
HS (D) 3-Mk 6 PT No. 5, Mukim 6 Daerah Seberang Perai Utara	Rice mill complex	Lease 6/7/2024	1983	8.11 (20.04)	1.00	1996
HS (D) 80, PT BMA/076 Mukim 1 Daerah Seberang Perai Tengah	Warehouse	Lease 6/7/2024	1982	2.11 (5.216)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Age of Buildings	Land Area Hectare (ACRE)	Net Book Value as At 31 Dec 2003	Date of Revaluation / Date of Acquisition
HS (D) 3, PT 4, Mukim 3 Daerah Seberang Perai Tengah	Vacant land	Lease 6/7/2054	-	7.61 (18.81)	1.00	1996
PERAK						
PN No. 42983, Lot 3122 Mukim Parit Buntar Daerah Kerian	Rice mill complex	Lease 6/7/2054	1975	4.05 (10.00)	1.00	1996
HS (D) LP 8/83, PT 569 Mukim Labu Kubon Daerah Hilir Perak	Rice mill complex	Lease 31/1/2017	1983	6.07 (15.00)	1.00	1996
HD (D) 2804, Lot 2908 Mukim Pasir Salak Daerah Perak Tengah (Kom. Sungai Dedap)	Rice mill complex	Lease 6/7/2054	1984	10.01 (26.70)	876,414.52	1996
HS (D) 2805, PT 1796 Mukim Kota Setia Daerah Perak Tengah (Kom. Changkat Lada)	Rice mill complex	Lease 6/7/2054	1993	10.93 (27.00)	855,797.49	1996
HS (D) 2803, PT 1797 Mukim Kota Setia Daerah Perak Tengah (Kom. Sungai Ranggalam)	Rice mill complex	Lease 6/7/2054	1993	11.53 (26.70)	1.00	1996
GM7424, Lot 7232 Mukim Bagan Serai Daerah Kerian	Warehouse	Lease 6/7/2054	1968	0.38 (0.9701)	1.00	1996
GM 7425, Lot 7228 Mukim Bagan Serai Daerah Kerian	Warehouse	Lease 6/7/2054	1968	0.33 (0.8112)	1.00	1996
Lot 7230, Mukim Bagan Serai, Daerah Kerian	Warehouse	Lease 6/7/2054	1968	0.13 (0.3289)	1.00	1996
Lot 7851, Mukim Bagan Serai, Daerah Kerian	Warehouse	Lease 6/7/2054	1968	0.20 (0.45)	1.00	1996
Lot 12589, Mukim Bagan Serai, Daerah Kerian	Warehouse	Lease 6/7/2054	1968	3.82 (9.4322)	1.00	1996
Lot 2870 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	0.40 1.00	1.00	1996
Lot 2869 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	0.38 0.94	1.00	1996
Lot 10088 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	4.36 (10.78)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Age of Buildings	Land Area Hectare (ACRE)	Net Book Value as At 31 Dec 2003	Date of Revaluation / Date of Acquisition
Lot 10089 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	0.51 (1.27)	1.00	1996
Lot 10090 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	0.20 (0.48)	1.00	1996
CT 10130, Lot 1945 Mukim Parit Buntar Daerah Kerian	Warehouse	Sub-lease 6/7/2054	1931	0.69 (1.7001)	1.00	1996
CT 9473, Lot 130 Mukim Parit Buntar Daerah Kerian	Warehouse	Sub-lease 6/7/2054	1931	0.73 (1.7989)	1.00	1996
CT 3334, Lot 1768 Mukim Parit Buntar Daerah Kerian	Warehouse	Lease 6/7/2054	1931	3.01 (7.42)	1.00	1996
CT 6884, Lot 1944 Mukim Parit Buntar Daerah Kerian	Warehouse	Lease 6/7/2054	1931	0.13 (0.3101)	1.00	1996
CT 6885, Lot 1943 Mukim Parit Buntar Daerah Kerian	Warehouse	Lease 6/7/2054	1931	0.04 (0.0899)	1.00	1996
CT 6246, Lot 1925 Mukim Parit Buntar Daerah Kerian	Warehouse	Lease 6/7/2054	1931	0.51 (1.2701)	1.00	1996
SELANGOR						
LM 473, Lot 19947 Mukim Tanjong Karang Daerah Kuala Selangor	Rice mill complex	Lease 6/7/2028	1978	3.85 (9.50)	1.00	1996
HS (M) 3204 Lot 11822-118 Lot 11830-11836 Mukim Tanjong Karang Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2033	1978	3.44 (8.50)	1.00	1996
LM 579, Lot 10775 Mukim Pachang Bedena Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2028	1970	4.16 (10.26)	1.00	1996
QT (M) 469 Lot 811 & 814 Mukim Panchang Bedena Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2028	1970	4.12 (10.19)	1.00	1996
HS (D) 96, PT 810 Mukim Bedena Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2054	1970	2.08 (5.13)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Age of Buildings	Land Area Hectare (ACRE)	Net Book Value as At 31 Dec 2003	Date of Revaluation / Date of Acquisition
HS (D) 380, PT 843 Mukim Sungai Panjang Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2054	1990	8.10 (20.00)	1.00	1996
HS (M) 6212, PT 4178 Mukim Kapar Daerah Kelang	Warehouse	Lease 6/7/2054	1988	2.02 (4.99)	1.00	1996
NEGERI SEMBILAN						
HS (D) Lis 811, PT 1329 (Plot 75 A) Mukim Ampangan Daerah Seremban	Warehouse	Lease 6/7/2054	1983	1.62 (4.00)	1.00	1996
MELAKA						
ACT 13, Mukim Village of Bt. Berendam Daerah Melaka Tengah	Warehouse	Lease 6/7/2054	1989	0.49 (1.20)	1.00	1996
HS (M) 3209, PT 1527 Mukim Kelemak Daerah Alor Gajah	Warehouse	Lease 6/7/2054	1995	3.31 (8.18)	1.00	1996
G 10590, Lot 3240 Mukim Batu Berendam Daerah Alor Gajah	Vacant land	Lease 6/7/2054	-	3.38 (6.35)	1.00	1996
JOHOR						
G 29401, Lot 6600 Mukim Teberau Daerah Johor Bahru	Warehouse	Lease 6/7/2054	1977	2.05 (5.07)	1.00	1996
HS (D) 216629 PTD 112330 Mukim Plentong Daerah Johor Bahru	Warehouse	Lease 6/7/2053	1977	2.14 (6.00)	1.00	1996
HS (D) 48624 PTD 22916 Mukim Plentong Daerah Johor Bahru	Warehouse	Lease 6/7/2053	1977	1.14 (2.807)	1.00	1996
HS (D) 17663 PTD 14679 Mukim Kluang Daerah Kluang	Vacant land	Lease 6/7/2054	-	2.02 (5.00)	1.00	1996
PAHANG						
HS (D) 3390 PT 1720, Mukim Pontian Daerah Rompin	Rice mill complex	Lease 6/7/2054	1984	2.60 (6.42)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Age of Buildings	Land Area Hectare (ACRE)	Net Book Value as At 31 Dec 2003	Date of Revaluation / Date of Acquisition
HS (D) 3391 PT 1832, Mukim Pontian Daerah Rompin	Rice mill complex	Lease 6/7/2054	1984	1.64 (4.06)	1.00	1996
HS (D) 2798 PT 468, (Lot 63 & 64) Mukim Songsang Daerah Temerloh	Warehouse	Lease 29/10/2050	1981	1.60 (3.95)	1.00	1996
HS (D) 3576 PT 4313 Mukim Pahang Tua Daerah Pekan	Padi purchasing centre	Lease 6/7/2054	1986	2.73 (6.73)	1.00	1996
TERENGGANU						
G 8617, Lot 2432 Mukim Bukit Kenak Daerah Besut	Rice mill complex	Lease 6/7/2054	1978	3.84 (9.50)	1.00	1996
PN 2991, Lot 3593 Mukim Bukit Kenak Daerah Besut	Rice mill complex	Lease 6/7/2054	1978	1.12 (2.77)	1.00	1996
HS (M) 1194 PT 1135 K Mukim Chendering Daerah Kuala Terengganu	Warehouse	Lease 6/7/2047	1983	1.04 (3.05)	1.00	1996
HS (D) 4539 PT 2803 K Mukim Belara Daerah Kuala Terengganu	Vacant	Lease 6/7/2054	-	4.06 (10.02)	1.00	1996
KELANTAN						
G 13803, Lot 2453 Mukim Peringat Daerah Jajahan Kota Bharu	Rice mill complex	Lease 6/7/2054	1970	1.73 (4.2788)	1.00	1996
G 13804, Lot 2454 Mukim Peringat Daerah Jajahan Kota Bharu	Rice mill complex	Lease 6/7/2054	1970	2.62 (6.4716)	1.00	1996
GN13805, Lot 2455 Mukim Peringat Daerah Jajahan Kota Bharu	Rice mill complex	Lease 6/7/2054	1970	1.56 (3.8634)	1.00	1996
Pajakan Negeri No. Pendaftaran 1840 Lot 2784, Mukim Peringat Daerah Jajahan Kota Bharu	Rice mill complex	Lease 6/7/2054	1970	1.34 (3.3013)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Age of Buildings	Land Area Hectare (ACRE)	Net Book Value as At 31 Dec 2003	Date of Revaluation / Date of Acquisition
HS (D) T 1/78, PT 5 Mukim Selehong South Daerah Terbok Jajahan Tumpat	Rice mill complex	Lease 6/7/2054	1970	4.05 (10.051)	1.00	1996
HS (D) P.P. 32/85 PT 387, Mukim Pdg Pak Amat Daerah Bt Sebutir Jajahan Pasir Putih	Rice mill complex	Lease 6/7/2054	1978	0.16 (0.4001)	1.00	1996
Pajakan Negeri No. Pendaftaran 660 Lot 1637, Mukim Pdg Pak Amat Daerah Bt. Sebutir Jajahan Pasir Putih	Rice mill complex	Lease 6/7/2054	1978	4.05 (10.01)	1.00	1996
HS (D) KB. 310/76 PT 18 Mukim Padang Raja Daerah Peringat Jajahan Kota Bharu	Warehouse	Lease 6/7/2054	1978	3.35 (8.29)	1.00	1996
HS (D) KB. 311/76 PT 14, Mukim Buloh Poh Daerah Kadok Jajahan Kota Bharu	Warehouse	Lease 6/7/2054	1978	0.89 (2.20)	1.00	1996
PN 2204, Lot 2305 Mukim Langgar Daerah Jajahan Kota Bharu	Office	Sub-lease 6/7/2054	1994	0.26 (0.63)	1.00	1996
PN 2205, Lot 2052 Mukim Lundang Daerah Jajahan Kota Bharu	Office	Lease 6/7/2054	1994	0.59 (1.46)	1.00	1996
PT 798 (sbhg drp Lot 1908, 1140 & Lot 2304) Mukim Langgar Daerah Kubang Kerian Jajahan Kota Bharu	Office	Lease 6/7/2054	1994	0.49 (1.21)	1.00	1996
PN 1831, Lot 1736 Mukim Chekli Daerah Beta Jajahan Kota Bharu	Vacant land	Lease 6/7/2054	-	5.54 (13.69)	1.00	1996
SABAH						
CL 015424549 Lot 85, Likas Daerah Kota Kinabalu	Warehouse and Office	Sub-lease 6/7/2034	1981	3.06 (7.55)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Age of Buildings	Land Area Hectare (ACRE)	Net Book Value as At 31 Dec 2003	Date of Revaluation / Date of Acquisition
TL 057504613 LA 80050271 Kudat Town Daerah Kudat	Warehouse	Sub-lease 6/7/2054	1981	0.81 (2.00)	1.00	1996
TL 207524098 Lot 12, Ranca-Ranca Wilayah Persekutuan Labuan	Warehouse	Sub-lease 6/7/2042	1981	0.89 (2.20)	1.00	1996
TL 117506671 LA 80113755 New Wharf Road Daerah Lahat Datu	Warehouse	Sub-lease 6/7/2054	1992	0.77 (1.91)	1.00	1996
TL 027500689 Lot 6628, Papar Daerah Papar	Warehouse	Sub-lease 6/7/2015	1970	0.13 (0.33)	1.00	1996
CL 105398990 LA 82100053 Bt 3 Apas Road Daerah Tawau	Warehouse	Sub-lease 6/7/2054	1981	2.38 (5.87)	1.00	1996
TL 077552731 Sandakan Daerah Sandakan	Warehouse	Sub-lease 6/7/2042	1981	1.14 (2.82)	1.00	1996
PT 99030951 Lot 2259 Kota Belud Daerah Kota Belud	Warehouse	Sub-lease 6/7/2054	1970	0.82 (2.02)	1.00	1996
PT 99040489 (sbhg drp PL 13904 & NT 12046) Tuaran Daerah Tuaran	Padi purchasing centre	Sub-lease 6/7/2054	1992	7.55 (18.64)	1.00	1996
SARAWAK						
State Lease Code No. 323/26/1019 Lot 1019 Blok No. 26 Kimena Land District Bintulu Division	Warehouse	Sub-lease 6/7/2050	1995	1.70 (4.18)	1.00	1996
State Lease G.N No. 499/2, Lot 478 Blok No. 19 Seduan Land District Sibu Division	Warehouse	Sub-lease 6/7/2047	1983	2.67 (6.59)	1.00	1996
State Lease Code No. 122/66/853 Lot 853, Section 66 Kuching Town Land District Kuching Division	Warehouse and office	Sub-lease 31/12/2035	1979	1.84 (4.54)	1.00	1996

CORPORATE DIRECTORY

LOCAL PRODUCTION

BERNAS PRODUCTION SDN BHD (428934-K)

Pejabat Bernas Wilayah Utara
10/6, Jalan Bandar Darul Aman Jaya 1
Bandar Darul Aman Jaya
06000 Jitra
Kedah
Tel : 04-917 8720
Fax : 04-917 9769

JASMINE RICE MILL (TUNJANG) SDN BHD (19591-K)

Batu 18½, Jalan Kodiang
Mukim Padang Perahu
Kubang Pasu
06000 Jitra
Kedah
Tel : 04-929 1852
Fax : 04-929 2708

BAN HENG BEE RICE MILL (1952) SDN BHD (2241-W)

Lot 2171, Jalan Bukit Raya
Mukim Bukit Raya
06700 Pendang
Kedah
Tel : 04-759 6620
Fax : 04-759 0264

BERNAS MARDITECH SEED SDN BHD (378559-M)

Ibu Pejabat BMS
Kompleks BERNAS Langgar
06500 Langgar
Kedah
Tel : 04-787 6571
Fax : 04-787 7116

RICE DISTRIBUTION (PENINSULAR MALAYSIA)

YHL HOLDING SDN BHD (452413-V)

44, Jalan Tanming Dua
Taman Tanming Jaya
Balakong Light Industrial Area
43300 Seri Kembangan
Selangor
Tel : 03-8961 3561
Fax : 03-8961 6299

SYARIKAT FAIZA SDN BHD (247191-D)

No 13, 13A, Jalan Maju Barat
Taman Maju, 83000
Batu Pahat, Johor
Tel : 07-434 4999
Fax : 07-434 7666

LEE HUP & COMPANY SENDIRIAN BERHAD (46394-M)

Gudang K.T.M
No 4, Jalan Stesen
85000 Segamat
Johor
Tel : 07-931 1252
Fax : 07-931 0410

JASMINE FOOD CORPORATION SDN BHD (162356-H)

Lot No 8, Jalan 25/123
Section 25
40000 Shah Alam
Selangor
Tel : 03-5122 3188
Fax : 03-5122 3288

ERA BAYAM KOTA SDN BHD (472357-P)

Lot PT 4154
Kawasan Perindustrian Pengkalan Chepa II
Padang Tembak
16100 Kota Bharu
Kelantan
Tel : 09-773 0878/5878
Fax : 09-774 7878

SERBA WANGI SDN BHD (280872-A)

Lot 2171, Jalan Bukit Raya
Mukim Bukit Raya
06700 Pendang
Kedah
Tel : 04-759 6620
Fax : 04-759 0264

OEL REALTY HOLDINGS SDN BHD (395528-W)

1, Persiaran Perusahaan Kledang U 1/2
Kawasan Perindustrian Chandan Raya
Menglembu
31450 Ipoh
Perak
Tel : 05-282 5555
Fax : 05-282 4322

**CONSOLIDATED BERNAS UNITED
DISTRIBUTORS SDN BHD (522078-T)**

Level 13A, Wisma Tun Sambanthan
No 2, Jalan Sulaiman
50000 Kuala Lumpur
Tel : 03-2711 2929
Fax : 03-2711 2807

FORMULA TIMUR SDN BHD (461317-W)

U6.1, Tingkat 6
Menara Perbadanan
Jalan Tengku Petra Semerak
15000 Kota Bharu
Kelantan
Tel : 09-747 1555
Fax : 09-747 3555

RICE DISTRIBUTION (EAST MALAYSIA)

BERAS CORPORATION SDN BHD (480493-H)

Lot 2-8-2, Level 7, Wisma San Hin
Wawasan Plaza
Coastal Highway
P.O. Box 13311
88837 Kota Kinabalu
Sabah
Tel : 088-311 510
Fax : 088-311 522

SAZARICE SDN BHD (385374-U)

Lot 5, Likas Baru
Batu 5½, Jalan Tuaran
P.O. Box 579
88856 Likas
Kota Kinabalu
Sabah
Tel : 088-433 586/640
Fax : 088-433 539/476

HASKARICE FOOD SDN BHD (437804-P)

Lot 895, Jalan Belian
93661 Kuching
Sarawak
Tel : 082-334 422
Fax : 082-349 785

BAN SAY TONG SDN BHD (100912-T)

No 2, Jalan Pedada
P.O. Box 28
97007 Bintulu
Sarawak
Tel : 086-333 106
Fax : 086-335 002/317

HOCK CHIONG FOODSTUFF SDN BHD (443434-K)

No 17
Jalan Bank
96000 Sibu
Sarawak
Tel : 084-330 476
Fax : 084-330 964

**TONG SENG HUAT RICE TRADING SDN BHD
(439863-H)**

58A, Merbau Road
98000 Miri
Sarawak
Tel : 085-431 037
Fax : 085-415 643

BY-PRODUCTS OPERATION

**BERNAS CHAFF PRODUCTS SDN BHD
(460936-P)**

Kompleks Telok Kechai
06600 Alor Star
Kedah
Tel : 04-762 1844
Fax : 04-762 1103

**RASAYANG FOOD INDUSTRIES SDN BHD
(463722-D)**

Lot 50 & 51, Off Jalan Semeling
08100 Bedong
Kedah
Tel : 04-458 5276
Fax : 04-458 7845

BERNAS FEEDSTUFF SDN BHD (464527-U)

Lot 1835, 1st Floor
Jalan Hospital, Paya Bemban
15200 Kota Bharu
Kelantan
Tel : 09-743 9000
Fax : 09-743 1122

ORGANIGRO SDN BHD

C/O Ancom Berhad
102 & 1002, Block A
Pusat Dagangan Phileo Damansara 1
No 9, Jalan 16/11
Off Jalan Damansara
46350 Petaling Jaya
Selangor
Tel : 03-7660 0008
Fax : 03-7660 0010

OVERSEAS VENTURES

BERNAS OVERSEAS (L) LIMITED (LL01053)

Level 19B, CP Tower
No 11, Section 16/11
Jalan Damansara
46350 Petaling Jaya
Selangor
Tel : 03-7660 4545
Fax : 03-7660 4720

BERNAS CHINA CORPORATION (331666)

Room 1102, Office Tower B
Soho New Town
No 88, Jiangle Road
Chao Yong District
Beijing 10022
China
Tel : 00-86-10-8580 0765
Fax : 00-86-10-8580 0767

QAISER NOMAN BERNAS (PVT) LIMITED (K07127)

QNB House, Bahria Complex-1
Ground Floor
M.T Khan Road
Karachi - 74000
Pakistan
Tel : 00-9221-561 0132
Fax : 00-9221-561 0226

ASIAN PENINSULA CORPORATION LTD (1292/2540)

18th Floor, Unit AD, Sethiwan Tower
139, Pan Road, Silom
Bangkok
10500 Thailand
Tel : 00-662-266 6025 / 266 6028
Fax : 00-662-266 6029

OTHER BUSINESS

BERNAS LOGISTICS SDN BHD (386337-M)

No 1, Jalan Magistrate U1/26
HICOM Glenmarie Industrial Park
40150 Shah Alam
Selangor
Tel : 03-5569 5135
Fax : 03-5569 4806

SOCIETE BERNAS DE GUINEE (SOBERGUI)

Immeuble Safricom
Carrefour, Constantin
BP 5371 Conakry
Republique De Guinee
West Africa
Tel : 00-224-464 537
Fax : 00-224-464 537

KEONGCO HOLDINGS SDN BHD (501026-U)

Lot 680
Local Industrial Estate
Pengkalan Chepa
16100 Kota Bharu
Kelantan
Tel : 09-773 0294
Fax : 09-773 0313

GARDENIA BAKERIES (KL) SDN BHD (139386-X)

Lot 3, Jalan Pelabur 23/1
40300 Shah Alam
Selangor
Tel : 03-5542 3228
Fax : 03-5542 3213

COSMO RESTAURANT SDN BHD (296009-T)

No 2, 2nd Floor
Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Tel : 03-2287 0800
Fax : 03-2287 0501

Proxy Form

I/We _____
of _____ being a
member of PADIBERAS NASIONAL BERHAD, hereby appoint _____ of
_____ or failing him, _____
of _____

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 10th Annual General Meeting of the Company to be held at at Dewan Bunga Tanjung, Kelab Shah Alam Selangor, Persiaran Istana Kayangan, Section 13, 40704 Shah Alam, Selangor on 24 June 2004 at 10.00 am, and at any adjournment thereof. My/Our proxy is to vote as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Audited Accounts for the financial year ended 31 December 2003 together with the Reports of the Directors and Auditors thereon. RESOLUTION 1		
2.	To approve the payment of a sum of RM310,000 as Directors' fees for the financial year ended 31 December 2003. RESOLUTION 2		
3.	To re-elect the following Directors who retire in accordance with the Articles of Association of the Company:- <u>Article 110 (2)</u> Datuk Azizan Bin Ayob RESOLUTION 3 Datuk Mohd Hashim Bin Hassan RESOLUTION 4 Dato' Syed Fahkri Barakbah Bin Tun Syed RESOLUTION 5 Sheh Barakbah <u>Article 115</u> Abdul Rahim Bin Mokti RESOLUTION 6 YB Haji Mohd Naroden Bin Haji Majais RESOLUTION 7 Dato' Abi Musa Asa'ari Bin Mohamed Nor RESOLUTION 8		
4.	To re-appoint Messrs. Hanafiah Raslan & Mohamad as Auditors and to authorise the Directors to fix their remuneration. RESOLUTION 9		
5.	As special business, to consider and if thought fit, to pass the following ordinary resolution:- I. Proposed Renewal of Shareholders' Mandate For Recurrent Transactions and Approval For New Recurrent Transactions For BERNAS Group To Enter Into Recurrent Related Party Transaction of a Revenue or Trading Nature. RESOLUTION 10 II. Authority to Directors to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 RESOLUTION 11		

(Please indicate with "X" how you wish to cast your vote)

Signed this _____ day of _____ 2004.

Signature/Seal _____

Notes:

- A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead.
- A proxy may but need not be a member of the Company.
- Where a member appointing two or more proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
- The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.
- The instrument appointing a proxy or representative shall be deposited at the registered office of the Company of Level 19, CP Tower, No 11, Section 16/11, Jalan Damansara, 46350 Petaling Jaya Selangor not less than forty eight (48) hours before the time for holding the meeting or any adjournment thereof.

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STAMP

Company Secretary
PADIBERAS NASIONAL BERHAD

Level 19A, CP Tower
No 11, Section 16/11
Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan

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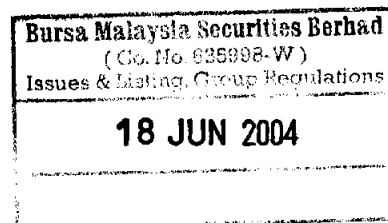
PADIBERAS NASIONAL BERHAD
(295514-U)

17 June 2004

Bursa Malaysia Securities Berhad
9th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur.

Attention: Encik Johan Bin Abdullah
Head, Issues & Listing Group Regulation

Dear Sir,



ANNUAL REPORT 2003 (Errata)

With reference to the earlier dispatched of Annual Reports 2003 on 1 June 2004, we noted on the printing error that necessitated the issue of this notice.

Kindly note the following amendment:-

Note 39 - Financial Instruments (Page 110 of the Annual Report)

Under the Financial Liabilities item (2nd and 8th line), '*Amounts due from*' should be read as '*Amounts due to*'

We regret for the errors occurred in the Annual Report 2003.

Enclosed herewith please find thirty (30) copies of the Errata of the Annual Report and PDF file on the same for your record.

Yours faithfully,
PADIBERAS NASIONAL BERHAD

AZLINA HASAN BASHRI
Company Secretary



BERNAS
PADIBERAS NASIONAL BERHAD
(Company No. 295514-U)

ERRATA TO THE ANNUAL REPORT 2003

Please be informed that there is an amendment to the Annual Report 2003 as follows:

1. Note 39 - Financial Instruments (Page 110 of the Annual Report)

Under the Financial Liabilities item (2nd line and 8th line), '*Amounts due from*' should be read as '*Amounts due to*'.