

Annual Report 2004



MHC Plantations Bhd

4060-V

(Incorporated in Malaysia)





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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting of the Company will be held at Casuarina Ipoh, 18 Jalan Gopeng, 30250 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 29 June 2005 at 11.00a.m.

AGENDA

RESOLUTION NO.

1. To receive the Audited Financial Statements for the year ended 31 December 2004, together with the Directors' and Auditors' Reports thereon. **1**
2. To sanction the declaration of a first and final dividend of 3% less 28% income tax. **2**
3. To re-elect the following Director retiring in accordance with the Company's Articles of Association:

Dato Mah King Seng **3**
4. To appoint Auditors and authorise the Directors to fix their remuneration. **4**
5. To transact any other business appropriate to an Annual General Meeting.
6. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolution:

**ORDINARY RESOLUTION - AUTHORITY TO ALLOT AND ISSUE SHARES IN
GENERAL PURSUANT TO SECTION 132D OF
THE COMPANIES ACT, 1965** **5**

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad, the Securities Commission and other relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

By Order of the Board
CHAN YOKE YIN
CHAN EOI LENG
Secretaries

Ipoh
6 June 2005

NOTE: A member entitled to attend and vote at the Meeting is not entitled to appoint more than two proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company. The instrument appointing a proxy must be deposited at the registered office of the Company, No. 35 Jalan Hussein, 30250 Ipoh, Perak, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting.

EXPLANATORY NOTES:

1. RE-ELECTION OF DIRECTOR

Aznam bin Mansor is also due for retirement at the forthcoming Annual General Meeting. However, he has advised that he will not be seeking re-election at the forthcoming Annual General Meeting.

2. ORDINARY RESOLUTION

The Ordinary Resolution proposed under item 6 if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting to allot and issue shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority will expire at the next Annual General Meeting of the Company, unless revoked or varied at a general meeting.



Notis Mesyuarat Agung Tahunan

Dengan ini dimaklumkan bahawa Mesyuarat Agung Tahunan Syarikat yang ke Empat Puluh Lima akan diadakan di Casuarina Ipoh, 18 Jalan Gopeng, 30250 Ipoh, Perak Darul Ridzuan, Malaysia pada hari Rabu, 29 Jun 2005 jam 11.00 pagi.

AGENDA	NO. RESOLUSI
1. Untuk menerima Penyata Kewangan yang telah diaudit bagi tahun berakhir 31 Disember 2004 serta Laporan-laporan Pengarah dan Juruaudit yang berkaitan dengannya.	1
2. Untuk meluluskan pengisytiharan dividen pertama dan muktamad sebanyak 3% tolak cukai 28%.	2
3. Untuk melantik semula Pengarah bersara yang berikut menurut Tataurusan Syarikat: Dato Mah King Seng	3
4. Untuk melantik Juruaudit dan memberi kuasa kepada para Pengarah untuk menetapkan bayaran mereka.	4
5. Untuk melaksanakan urusan-urusan lain yang sesuai dengan Mesyuarat Agung Tahunan.	
6. Sebagai URUSAN KHAS, untuk mempertimbangkan dan sekiranya difikir wajar, meluluskan resolusi berikut: RESOLUSI BIASA - KUASA UNTUK MENERBITKAN DAN MEMPERUNTUKKAN SAHAM-SAHAM SELARAS DENGAN SEKSYEN 132D, AKTA SYARIKAT 1965.	5

"Bahawa tertakluk kepada Akta Syarikat 1965 dan Tataurusan Syarikat dan kelulusan daripada Bursa Malaysia Securities Berhad, Suruhanjaya Sekuriti serta badan kerajaan/kawalan lain, para Pengarah dengan ini diberi kuasa penuh selaras dengan Seksyen 132D, Akta Syarikat 1965 untuk menerbitkan dan memperuntukkan saham-saham dalam modal Syarikat dari semasa ke semasa tertakluk kepada syarat-syarat dan peraturan-peraturan dan untuk tujuan-tujuan yang difikirkan wajar mengikut budi bicara para Pengarah asalkan jumlah saham yang diterbitkan selaras dengan resolusi ini tidak melebihi 10% daripada modal saham terbitan semasa Syarikat dan kuasa ini akan terus berkuatkuasa sehingga tamatnya Mesyuarat Agung Tahunan Syarikat yang akan datang."

Dengan Perintah Lembaga

CHAN YOKE YIN

CHAN EOI LENG

Setiausaha

Ipoh

6 Jun 2005

NOTA: Seorang ahli yang berhak hadir dan mengundi dalam Mesyuarat tidak berhak melantik lebih daripada dua orang proksi untuk hadir dan mengundi bagi pihak dirinya. Seorang proksi boleh jadi tetapi tidak semestinya seorang ahli Syarikat. Surat perlantikan proksi mestilah diserahkan kepada pejabat berdaftar Syarikat di No. 35 Jalan Hussein, 30250 Ipoh, Perak, Malaysia tidak kurang daripada empat puluh lapan (48) jam sebelum waktu yang ditetapkan untuk Mesyuarat.

NOTA KETERANGAN

1. MELANTIK SEMULA PENGARAH

Aznam bin Mansor juga akan bersara semasa Mesyuarat Agung Tahunan seterusnya. Walau bagaimanapun, beliau telah mengumumkan bahawa beliau tidak akan menyertai perlantikan semula di Mesyuarat Tahunan akan datang.

2. RESOLUSI BIASA

Resolusi Biasa yang dicadangkan di bawah Perkara 6, jika diluluskan akan memberi para Pengarah Syarikat dari tarikh Mesyuarat Agung Tahunan tersebut di atas sehingga Mesyuarat Agung Tahunan yang akan datang, kuasa untuk menerbitkan dan memperuntukkan saham dalam Syarikat sehingga dan jumlahnya tidak melebihi sepuluh peratus (10%) daripada Modal Saham terbitan semasa Syarikat dan tujuannya adalah untuk kepentingan Syarikat. Kuasa ini, kecuali dimansuhkan atau diubah dalam Mesyuarat agung, akan tamat pada Mesyuarat agung Tahunan yang akan datang.



Statement Accompanying the Notice of Annual General Meeting

Statement Accompanying the Notice of Annual General Meeting of MHC Plantations Bhd pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities)

Place, Date and Time of the 45th Annual General Meeting

Place : Casuarina Ipoh, 18 Jalan Gopeng, 30250 Ipoh, Perak Darul Ridzuan.

Date : Wednesday, 29 June 2005

Time : 11.00 a.m.

List of Directors who are standing for re-election at the 45th Annual General Meeting

Name of Directors	Ordinary Shares of RM1.00 each as at 11 May 2005	
	Direct Interest	Deemed Interest
Aznam bin Mansor	7,770	497,000
Dato Mah King Seng	121,153	34,072,485

Dato Mah King Seng is deemed to have interest in the shares of all the subsidiaries by virtue of his interests in the shares of the Company.

Aznam bin Mansor of which his shareholding is stated above, has advised that he will not be seeking re-election at the forthcoming Annual General Meeting.

Details of the above Directors are set out in the Profile of Directors on pages 8 to 10 of this Annual Report.

Details of Attendance of Directors at Directors' Meetings

Five (5) Board Meetings were held during the financial year ended 31 December 2004.

25 February 2004

23 April 2004

26 May 2004

18 August 2004

29 November 2004

Details of attendance of the Directors at the Board Meetings are as follows:

Name	Number of Meetings Attended
Aznam bin Mansor	4/5
Dato Mah King Seng	5/5
Dato Mah King Thian	5/5
Koay Say Loke Andrew	5/5
Azizah binti Kassim	5/5
Mah Siew Hoe	5/5



Penyata Disertakan Bersamaan dengan Notis Mesyuarat Agung Tahunan

Penyata Disertakan Bersamaan dengan Notis Mesyuarat Agung Tahunan MHC Plantations Bhd. selaras dengan Para 8.28 (2) iaitu peraturan-peraturan penyenaaraian Bursa Saham Malaysia Berhad (Sekuriti Bursa).

Tempat, Tarikh dan Masa Mesyuarat Agung Tahunan yang ke-45

Tempat : Casuarina Ipoh, 18 Jalan Gopeng, 30250 Ipoh, Perak Darul Ridzuan.

Tarikh : 29 Jun 2005

Masa : 11.00 pagi

Senarai Pengarah yang dicalonkan untuk dipilih semula di Mesyuarat Agung Tahunan yang ke-45

Nama Pengarah	Pegangan Saham Biasa berharga RM1.00 satu saham pada 11 Mei 2005	
	Kepentingan Langsung	Kepentingan Tidak Langsung
Aznam bin Mansor	7,770	497,000
Dato Mah King Seng	121,153	34,072,485

Dato Mah King Seng mempunyai kepentingan dalam saham kesemua subsidiari-subsidiari syarikat kerana kepentingan sahamnya dalam Syarikat.

Aznam bin Mansor, yang mana pegangan sahamnya tertera di atas, telah mengumumkan bahawa beliau tidak akan menyertai perlantikan semula di Mesyuarat Agung Tahunan yang akan datang.

Keterangan berkenaan kehadiran para Pengarah tertera pada bahagian *Profile of Directors* di muka surat 8 hingga 10 Laporan Tahunan ini.

Keterangan berkenaan kehadiran para Pengarah ke Mesyuarat Lembaga Pengarah

Sejumlah lima (5) Mesyuarat Lembaga telah diadakan dalam tahun kewangan berakhir 31 Disember 2004.

25 Februari 2004

23 April 2004

26 Mei 2004

18 Ogos 2004

29 November 2004

Butir-butir kehadiran para Pengarah ke Mesyuarat Lembaga Pengarah adalah seperti berikut:

Nama	Bilangan Mesyuarat Yang Dihadiri
Aznam bin Mansor	4/5
Dato Mah King Seng	5/5
Dato Mah King Thian	5/5
Koay Say Loke Andrew	5/5
Azizah binti Kassim	5/5
Mah Siew Hoe	5/5



Corporate Information

DIRECTORS

Aznam bin Mansor
(Non-Independent Non-Executive Director - Chairman)
Dato Mah King Seng
(Joint Managing Director)
Dato Mah King Thian
(Joint Managing Director)
Mah Siew Hoe
(Non-Independent Non-Executive Director)
Azizah binti Kassim
(Independent Non-Executive Director)
Koay Say Loke Andrew
(Senior Independent Non-Executive Director)

AUDIT COMMITTEE

Koay Say Loke Andrew (Chairman)
Dato Mah King Thian
Azizah binti Kassim

EXECUTIVE COMMITTEE

Datin Seri Ooi Ah Thin (Chairperson)
Dato Mah King Seng
Dato Mah King Thian

NOMINATING COMMITTEE

Azizah binti Kassim (Chairperson)
Koay Say Loke Andrew

REMUNERATION COMMITTEE

Koay Say Loke Andrew (Chairman)
Dato Mah King Thian
Azizah binti Kassim

COMMITTEE TO REVIEW PREPARATION OF PRESS OR PUBLIC ANNOUNCEMENTS

Dato Mah King Seng
Dato Mah King Thian

REGISTERED OFFICE

No. 35, Jalan Hussein
30250 Ipoh
Perak Darul Ridzuan
Malaysia
Tel. No. 05-2415633
Fax No. 05-2415578

PRINCIPAL PLACE OF BUSINESS

No. 1 Medan Sri Intan
Jalan Sekolah
36000 Teluk Intan
Perak Darul Ridzuan
Malaysia
Tel. No. 05-6222020
Fax No. 05-6211778

REGISTRARS

Symphony Share Registrars Sdn Bhd
No. 35, Jalan Hussein
30250 Ipoh
Perak Darul Ridzuan
Malaysia
Tel. No. 05-2415633
Fax No. 05-2415578

SECRETARIES

Chan Yoke Yin (MAICSA 7043743)
Chan Eoi Leng (MAICSA 7030866)

AUDITORS

Ernst & Young
Chartered Accountants

PRINCIPAL BANKERS

Malayan Banking Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

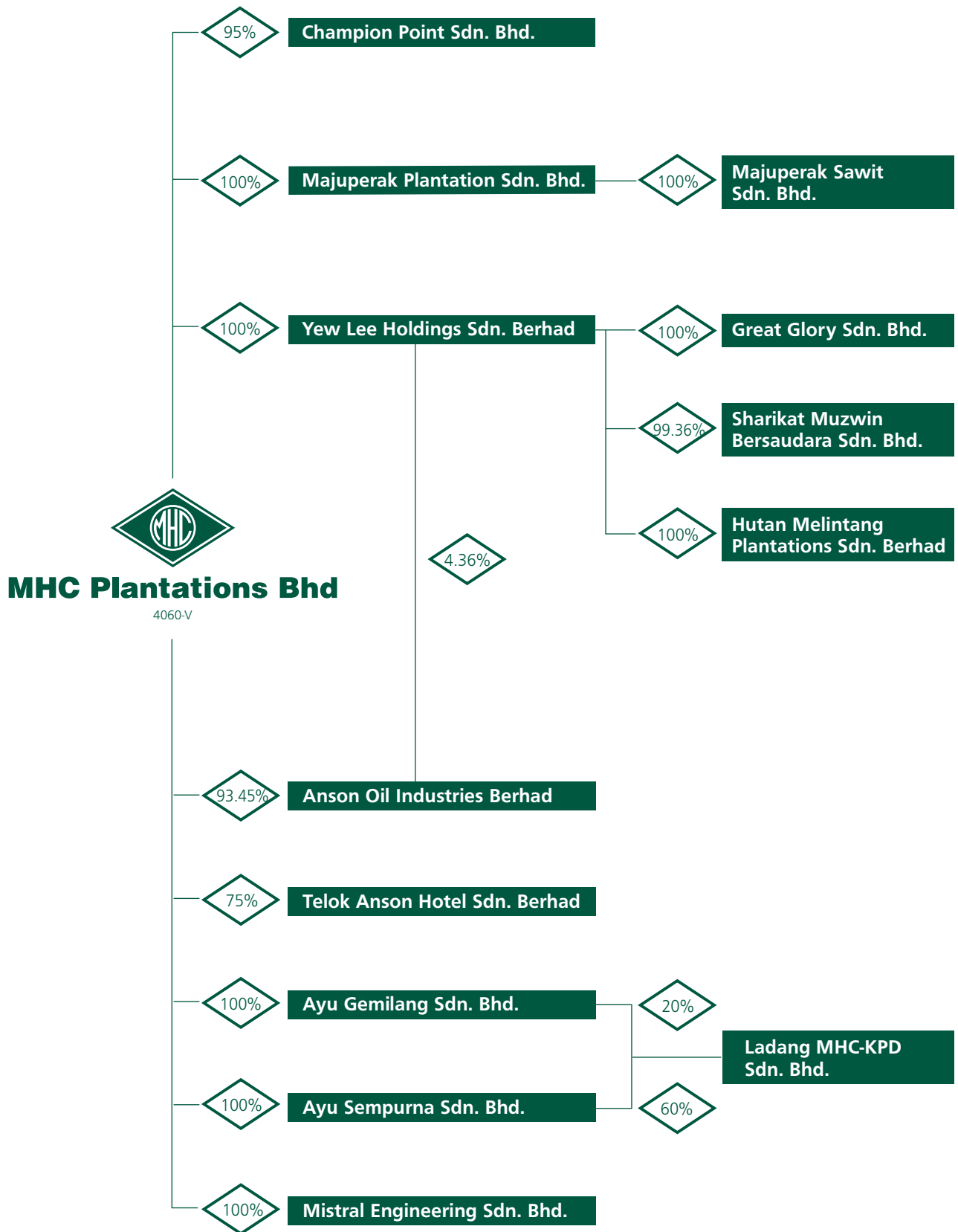
Bursa Malaysia Securities Berhad
Main Board

COUNTRY OF INCORPORATION

Malaysia



Corporate Structure





Profile of Board of Directors

Aznam bin Mansor, Chairman,

Non-Independent Non-Executive Director

- Aznam bin Mansor, a Malaysian, aged 46, is the Chairman of the Company. He was appointed to the Board of the Company on 21 December 1998 and subsequently as the Chairman of the Company on 25 February 2002.
- He is an advocate and solicitor by profession. He graduated from the North East London Polytechnic with a Bachelor of Arts (Honours) Degree in Law in 1983 and was admitted as a Barrister-at-Law at Lincoln's Inn in 1984. He joined Skrine & Co as a Legal Assistant in 1986 and was subsequently admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya soon afterwards. He left Skrine & Co to become a partner of Lee Hishammuddin in 1993.
- He also sits on the Board of Knusford Berhad. He does not hold any directorship in any other public company.
- He does not have any family relationship with any other Director and/or major shareholder of the Company.
- He is deemed interested in certain recurrent related party transactions carried out in the ordinary course of business between the Company and its Group with a company by virtue of his common directorships in these companies.
- He has not been convicted of any offence in the last ten years.
- He attended four out of the five Board Meetings held during the financial year.

Dato Mah King Seng,

Joint Managing Director

- Dato Mah King Seng, a Malaysian, aged 46, joined the Board of Directors on 20 September 1978. He is currently the Joint Managing Director responsible for the operations of the Group's estates, mills and hotel.
- He is also a member of the Executive Committee and the Committee for the review of the preparation of press releases or public announcements.
- He joined the Company in 1978 after graduating from the University of Minnesota, United States of America with a degree in Agricultural Science and has been with the Group since then, garnering more than twenty years' experience in managing the operations of the Group's estates, mills and hotel. In 1980, he attended the Palm Oil Mill Engineer / Executive Training course on palm oil mill operations organised by the Malaysian Oil Palm Growers Council. He subsequently obtained his Bachelor of Law Degree in 1985 from the University of Buckingham, United Kingdom and was admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1990.
- He is a Director of Anson Oil Industries Berhad, a public company, and also of Behrang 2020 Sdn Bhd and several other private limited companies. He does not hold any directorship in any other public company.
- He is a son of Datin Seri Ooi Ah Thin who is a Director and substantial shareholder of Dato Mah Pooi Soo Realty Sdn Bhd (DMR), a major shareholder of the Company, the elder brother of Dato Mah King Tian, the Joint Managing Director of the Company, who is also a Director and substantial shareholder of DMR and an uncle of Mah Siew Hoe, a Director of the Company. He is also an uncle of Mah Siew Keong and Mah Siew Chuan, a brother-in-law of Wong Leng Wah and an uncle-in-law of Hooi Yoke Lin, who are all substantial shareholders of the Company through their indirect interests in Mah King Woon Holdings Sdn Bhd.
- Dato Mah King Seng is also a Director and substantial shareholder of DMR. He is deemed interested in certain recurrent related party transactions carried out in the ordinary course of business between the Company and its Group with the DMR group and certain privately owned companies.
- He has not been convicted of any offence in the last ten years.
- He attended all five Board Meetings held during the financial year.

Profile of Board of Directors

(cont'd)

Dato Mah King Thian,

Joint Managing Director

- Dato Mah King Thian, a Malaysian, aged 41, joined the Board of Directors on 28 December 1992. He is currently the Joint Managing Director responsible for the Group's corporate and legal affairs, accounting and finance.
- He is also a member of the Audit Committee, Executive Committee, Remuneration Committee and the Committee for the review of the preparation of press releases or public announcements.
- He graduated from Monash University, Australia with a Bachelor of Economics Degree, majoring in Accounting in 1986 and also a Bachelor of Law Degree in 1987. He was subsequently admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1989. He is also a Fellowship Member of the Certified Practising Accountant (CPA), Australia. He then joined the Company in 1989.
- He is a Director of Anson Oil Industries Berhad, a public company, and also of Behrang 2020 Sdn Bhd and several other private limited companies. He is responsible for the overall management of the 910 acres township development project being undertaken by Behrang 2020 Sdn Bhd. He does not hold any directorship in any other public company.
- He is a son of Datin Seri Ooi Ah Thin who is a Director and substantial shareholder of Dato Mah Pooi Soo Realty Sdn Bhd (DMR), a major shareholder of the Company, the younger brother of Dato Mah King Seng, a Joint Managing Director of the Company, who is also a Director and substantial shareholder of DMR and an uncle of Mah Siew Hoe, a Director of the Company. He is also an uncle of Mah Siew Keong and Mah Siew Chuan, a brother-in-law of Wong Leng Wah and an uncle-in-law of Hooi Yoke Lin, who are all substantial shareholders of the Company through their indirect interests in Mah King Woon Holdings Sdn Bhd.
- Dato Mah King Thian is also a Director and substantial shareholder of DMR. He is deemed interested in certain recurrent related party transactions carried out in the ordinary course of business between the Company and its Group with the DMR group and certain privately owned companies.
- He has not been convicted of any offence in the last ten years.
- He attended all the five Board Meetings held during the financial year.

Koay Say Loke Andrew,

Independent Non-Executive Director

- Koay Say Loke Andrew, a Malaysian, aged 39, was appointed to the Board on 16 August 2000 and is currently an Independent Non-Executive Director of the Company.
- He is the Chairman of the Audit Committee and Remuneration Committee. He is also a member of the Nominating Committee of the Company.
- He is an advocate and solicitor by profession. He graduated from Monash University, Australia with a Bachelor of Economics Degree, majoring in Accounting and a Bachelor of Law Degree in 1987. He subsequently obtained a Masters in Law Degree from Monash University in 1994. Upon obtaining his Bachelor Degrees, he worked with an accounting firm, Nelson Parkhill BDO in Australia and became an Associate Member of the Institute of Chartered Accountants, Australia in 1991. He advanced to become a Fellowship Member of the Institute of Chartered Accountants, Australia in 2002. He was enrolled as a Barrister and Solicitor of the Supreme Court of Victoria, Australia and the Federal Court of Australia in 1988 and has been a member of the Law Institute of Victoria, Australia since 1991. Upon his return to Malaysia, he was enrolled as an Advocate and Solicitor of the High Court of Malaya in 1995. He is now practising as a partner of Koay & Co. in Penang.
- He is a Director of Penang Commercial & Industrial Development Berhad, a public company. He does not hold any directorship in any other public company.
- He does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company.
- He has not been convicted of any offence in the last ten years.
- He attended all the five Board Meetings held during the financial year.



Profile of Board of Directors

(cont'd)

Azizah binti Kassim,

Independent Non-Executive Director

- Azizah binti Kassim, a Malaysian, aged 49, was appointed to the Board on 18 July 2000 and is currently an Independent Non-Executive Director.
- She is a member of the Audit Committee, Remuneration Committee and the Chairperson of the Nominating Committee of the Company.
- She graduated from the University of London, United Kingdom with a Bachelor of Law Degree in 1980 and was subsequently enrolled as an Advocate and Solicitor of the High Court of Malaya in 1986. She served the Malaysian Government as a Magistrate from 1980 to 1981. She subsequently joined Bumiputera Commerce Bank Berhad in 1982 and served as a Legal Officer until she retired in November 2001.
- She does not hold any directorship in any other public company.
- She does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company.
- She has not been convicted of any offence in the last ten years.
- She attended all the five Board Meetings held during the financial year.

Mah Siew Hoe,

Non-Independent Non-Executive Director

- Mah Siew Hoe, a Malaysian, aged 47, was appointed to the Board on 17 June 1993 and is currently a Non-Independent Non-Executive Director of the Company.
- He graduated from the London School of Economics, University of London, United Kingdom in 1980 with a Bachelor of Science (Economics) Degree specialising in Industry and Trade. He has a diverse range of business exposures, among which are oil palm cultivation and management, property development, manufacturing and share investment.
- He is a Director of Anson Oil Industries Berhad, a public company, and several other private limited companies. He does not hold any directorship in any other public company.
- He is a nephew of Dato Mah King Seng and Dato Mah King Thian, the Executive Directors of the Company who are also Directors and substantial shareholders of Dato Mah Pooi Soo Realty Sdn Bhd (DMR), a major shareholder of the Company, and a grandson of Datin Seri Ooi Ah Thin who is also a Director and substantial shareholder of DMR. He is the husband of Hooi Yoke Lin, a brother of Mah Siew Keong and Mah Siew Chuan, and a son of Wong Leng Wah who are all substantial shareholders of the Company through their indirect interests in Mah King Woon Holdings Sdn Bhd.
- He is deemed interested in certain recurrent related party transactions carried out in the ordinary course of business between the Company and its Group with a company in which he has indirect interests and also by virtue of his common directorships in these companies.
- He has not been convicted of any offence in the last ten years.
- He attended all the five Board Meetings held during the financial year.



Chairman's Statement

On behalf of the Board of Directors of MHC Plantations Bhd, it gives me great pleasure to present to you the Annual Report of the Group for the financial year ended 31 December 2004.

Operations Review

During the year 2004, the Group carried out replanting over an area of 129 acres in Champion Point and Yew Lee Estates in Teluk Intan. The Group also planted an additional 593 acres in Ladang MHC-KPD in Beaufort, Sabah.

At present, the total mature area of the Group is 9,915 acres whilst the immature area is 1,379 acres.

Production

The average yield per acre was higher than in the previous year. However, production of FFB, CPO and Kernel for the year is marginally lower than in the previous year partly due to disposal of MHC-Kemayan estate and mill in Kemayan, Pahang in March 2004.

	2003	2004
Production		
Mature Area (acres)	11,119	9,915
FFB Production (mt)	70,873	66,855
Yield mt FFB/acre	6.37	6.74
Milling		
FFB Processed (mt)	131,301	22,963
Oil Extraction Rate %	18.19	18.14
Kernel Extraction %	6.20	6.16
Sales (MT)		
FFB Sales	54,359	64,713
CPO Sales	23,447	4,920
PK Sales	11,383	1,370
Average Price (RM/MT)		
Fresh Fruit Bunch	288	311
Crude Palm Oil	1,570	1,664
Palm Kernel	762	1,072

The projected productions for the coming years are expected to improve as additional areas are coming into maturity and the newly matured areas are entering into the higher yielding phase.

Financial Review

The Group generated a profit before tax of about RM20 million for the current year against RM7.8 million in the previous year, which is an increase of 157%. This is mainly attributed to the gain of RM10.2 million arising from the disposal of MHC-Kemayan estate and mill. Gross margin from operation had also improved significantly from 14% in 2003 to approximately 25% in 2004 as a result of better prices and higher yield per acre.

This substantial improvement in profitability has again strengthened the Group's financial position and balance sheet as at year end.



Chairman's Statement

(cont'd)

Dividend

Your Board has recommended for your approval, a first and final dividend of 3%, less 28% income tax, for the financial year ended 31 December 2004 as the group plans to reinvest most of its profit for future growth.

Prospect

According to **Oil World**, there is a strong demand for CPO against the outlook of slower growth in production due to declining yield per acre caused by the recent dry season. The continued rally in mineral oil prices has also resulted in certain industrial consumers switching to palm oil as biofuel. Notwithstanding the excess soybean production from South America, these factors above are expected to sustain the current CPO price throughout the second half of 2005.

As such, barring any unforeseen circumstances and any significant decline in CPO price, the Group's prospect for the current year is favourable as the Group's yield per acre is expected to increase further.

Appreciation

Finally, on behalf of the Board of Directors, I would like to express my appreciation to all the shareholders for their continued support and my deepest gratitude to the management and employees for their dedicated services to the Group.

Aznam bin Mansor

Chairman

Date: 27 April 2005

Penyata Pengerusi

Bagi pihak Lembaga Pengarah MHC Plantations Bhd., saya ingin membentangkan Laporan Tahunan Kumpulan bagi tahun kewangan berakhir 31 Disember 2004.

Kajian Operasi

Sepanjang tahun 2004, Kumpulan telah menjalankan penanaman semula sekitar kawasan seluas 129 ekar di Champion Point dan Yew Lee Estates di Teluk Intan. Kumpulan juga telah menjalankan penanaman tambahan sebanyak 593 ekar di Ladang MHC-KPD di Beaufort, Sabah.

Kini, jumlah kawasan penanaman matang merangkumi 9,915 ekar sementara kawasan penanaman belum matang ialah 1,379 ekar.

Pengeluaran

Hasil purata penanaman seekar yang diperolehi adalah lebih tinggi berbanding dengan tahun lepas. Walau bagaimanapun, pengeluaran Buah Tandan Segar, Minyak Sawit Mentah dan Isirung Sawit telah berkurang daripada tahun sebelumnya dan ini disebabkan oleh penjualan estet dan kilang MHC-Kemayan di Kemayan, Pahang pada Mac 2004.

	2003	2004
Pengeluaran		
Kawasan Matang (ekar)	11, 119	9,915
Pengeluaran Buah Tandan Segar (tm)	70, 873	66, 855
Hasil tm Buah Tandan Segar/ekar	6.37	6.74
Pengilangan		
Buah Tandan Segar Diproses (tm)	131, 301	22, 963
% Kadar Pengekstrakan Minyak	18.19	18.14
% Pengekstrakan Isirung	6.20	6.16
Penjualan (tm)		
Penjualan Buah Tandan Segar	54, 359	64, 713
Penjualan Minyak Sawit Mentah	23, 447	4, 920
Penjualan Isirung Sawit	11, 383	1, 370
Harga Purata (RM/tm)		
Buah Tandan Segar	288	311
Minyak Sawit Mentah	1, 570	1, 664
Isirung Sawit	762	1, 072

Pengeluaran bagi tahun-tahun selanjutnya dijangka akan berkembang kerana lebih banyak kawasan penanaman sedang mencapai tahap kematangan di samping kawasan matang baru akan menghampiri fasa penghasilan yang tinggi.

Kajian Kewangan

Pada tahun ini Kumpulan telah mencapai keuntungan sebelum cukai sebanyak RM20 juta berbanding dengan RM7.8 juta pada tahun lepas; kenaikan sebanyak 157%. Pencapaian ini disumbangkan sebahagian besarnya oleh keuntungan RM10.2 juta yang diperolehi daripada penjualan estet dan kilang MHC-Kemayan. Margin kasar daripada operasi juga menunjukkan peningkatan agak tinggi daripada 14% pada tahun 2003 kepada lebih kurang 25% pada tahun 2004; kesan daripada kenaikan harga dan penghasilan seekar yang bertambah baik.

Perkembangan besar dalam keuntungan ini telah mengukuhkan lagi kedudukan kewangan Kumpulan dan lembaran imbalan bagi tahun akhir.



Penyata Pengerusi

(samb.)

Dividen

Lembaga pengarah telah mencadangkan dividen pertama dan muktamad sebanyak 3% kurang 28% cukai pendapatan bagi tahun kewangan berakhir 31 Disember 2004 untuk kelulusan anda memandangkan Kumpulan merancang untuk melabur kebanyakan daripada keuntungannya untuk perkembangan masa depan.

Prospek

Mengikut Oil World, terdapat permintaan besar untuk minyak sawit mentah berbanding dengan peningkatan kecil dalam pengeluarannya yang disebabkan oleh penurunan hasil seekar akibat musim kering. Isu harga minyak galian yang berlanjutan juga telah mengakibatkan segolongan konsumer industri bertukar kepada minyak sawit mentah untuk digunakan sebagai biofuel. Meskipun pengeluaran kacang soya yang berlebihan dari Amerika Selatan, faktor-faktor di atas dijangka dapat mempertahankan harga semasa minyak sawit mentah bagi pertengahan tahun kedua 2005.

Oleh demikian sekiranya tidak diambil kira isu-isu yang tidak dijangka serta penurunan besar harga minyak sawit mentah, Kumpulan mengharapkan prospek yang cerah memandangkan hasil Kumpulan seekar dijangka akan semakin meningkat.

Penghargaan

Akhirnya, bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada semua pemegang syer di atas dorongan berterusan mereka dan setinggi-tinggi rasa syukur saya kepada para pengarah dan pekerja kerana dedikasi mereka terhadap Kumpulan.

Aznam Bin Mansor

Pengerusi

Tarikh: 27 April 2005

Statement on Corporate Governance

Introduction

The Board of Directors (the Board) of the Company fully subscribes to the recommendations of the Malaysian Code on Corporate Governance (the Code) and is committed to ensure that the highest standards of Corporate Governance are practised throughout the Group towards enhancing business prosperity and corporate accountability to realise long term shareholders value for the Company's shares. The Board is working towards ensuring full application of all the Principles in Part 1 of the Code and is also committed to ensuring full compliance with the Best Practices as recommended in Part 2 of the Code. An indication of the Board's commitment is reflected in the incorporation of various processes and the establishment of the relevant committees. The Board is pleased to report on how the Company and Group have applied the principles laid down in the Code and the extent of compliance with the Best Practices in Corporate Governance.

The Board of Directors

Principal Responsibilities

The Board assumes full responsibilities for the overall performance of the Company and its subsidiaries by setting the policies, establishing goals and monitoring the achievement of the goals through strategic action plans and careful stewardship of the Group's assets and resources. It focuses on financial performance and crucial business issues, like principal risks and their management, succession planning for senior management, investor relations programme and shareholder communication policy, systems for internal control and compliance with laws and regulations.

Composition

The Board, led by a Non-Executive Chairman, currently comprises six members who bring with them a wide mix of knowledge, business acumen, industry expertise and financial experience which are invaluable assets required in their thorough examination and deliberations of the various key issues and matters involving the Group.

There is a balance of power and authority in the Board, with two executive directors and four non-executive directors, two of whom are independent and represent one-third of the Board. The Company has thus satisfied the Bursa Malaysia Securities Berhad (Bursa Securities) Listing Requirement (LR) of having at least one-third of the Board members as independent non-executive directors.

The roles of the Chairman and the two Joint Managing Directors, namely, the Executive Directors, are distinct and segregated with responsibilities clearly drawn out to ensure a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Executive Directors are primarily responsible for managing the Group's day-to-day operations and, they, with their expert and intimate knowledge of the business of the Group, are able to efficiently practise "hands on" management in their specific areas of responsibilities. The Non-Executive Directors are professionals of calibre and credibility who play key supporting roles by contributing their knowledge, guidance and experience towards making independent judgement on issues of strategies, performance, resources and standards of conduct. The Executive and Non-Executive Directors together ensure that the strategies proposed by the management are fully discussed and examined and the long term interests of the shareholders, employees, suppliers and customers are taken into account. Where any conflict of interests arises, it is a mandatory practice for the director concerned to declare his interest and abstain from the decision making process.

The two Executive Directors, Dato Mah King Seng and Dato Mah King Tian both represent the significant major shareholder, Dato Mah Pooi Soo Realty Sdn Bhd. The two Independent Non-Executive Directors represent the minority shareholders.

The profile of each Director is presented on pages 8 to 10 of this Annual Report.

Meetings

The Board meets on a scheduled basis, five times a year with additional meetings held when specific urgent matters and important decisions are required to be taken between the scheduled meetings. At each meeting, the Board considers pre-set agenda items covering the quarterly financial statements, performance for the period and strategies for progress. The Independent Non-Executive Directors play an important role here in ensuring strategies formulated or major transactions proposed by management are fully discussed and examined and long term interests of the shareholders, employees, customers and suppliers are taken into account before such are approved and carried through.



Statement on Corporate Governance

(cont'd)

A total of five (5) Board Meetings were held during the financial year under review. The record of attendance of these Meetings by the current Directors of the Board is as follows:

Name of Director	25 Feb 2004	23 Apr 2004	26 May 2004	18 Aug 2004	29 Nov 2004
Aznam bin Mansor	✓	✓	✓	✓	X
Dato Mah King Seng	✓	✓	✓	✓	✓
Dato Mah King Thian	✓	✓	✓	✓	✓
Koay Say Loke Andrew	✓	✓	✓	✓	✓
Azizah binti Kassim	✓	✓	✓	✓	✓
Mah Siew Hoe	✓	✓	✓	✓	✓

All the above Directors have complied with the minimum attendance at Board Meetings as stipulated by the Bursa Securities during the financial year.

Supply of Information

All Directors are provided with reports and other relevant information pertaining to the Group's operations and performance on a timely basis. Board papers providing current reviews and updates on the operations, financial and corporate developments, quarterly financial reports and minutes of the previous meetings are circulated prior to the Board Meetings to give the Directors time to deliberate on the issues to be discussed at the Board Meetings. The Directors have access to all staff for any information they require on the Group's affairs and to the advice and services of the Company Secretaries, independent professional advisers, and internal / external auditors in appropriate circumstances at the Company's expense, if required. The Secretaries are charged with the duty of ensuring proper filing of all appointments, obtaining all the necessary information from the Directors, both for the Company's own records and for meeting statutory requirements and regulatory obligations. The Secretaries also highlight all issues which they feel ought to be brought to the Board's attention.

Directors' Training

All the Directors have undergone the Mandatory Accreditation Programme (MAP). The Nominating Committee has been given the responsibility of formulating an orientation programme for the new recruits to the Board of Directors.

Re-election

All Directors who are appointed by the Board during the year are subject to re-election by shareholders at the next Annual General Meeting held subsequent to their appointment. There was no new appointment during the financial year under review.

All Directors, including the Joint Managing Directors, will retire from office once at least every three years and be eligible for re-election.

Board Committees

The Board is assisted by the following Sub-Committees in the discharge of its duties and responsibilities:

- Audit Committee
- Executive Committee
- Nominating Committee
- Remuneration Committee
- Committee for the review of the preparation of press releases or public announcements

The Audit Committee was established on 27 September 2000. The terms of reference of the Committee had been revised on 24 May 2001 to conform to the revamped Bursa Securities LR. Details of the composition, terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 21 to 23 of this Annual Report.

Statement on Corporate Governance

(cont'd)

The Executive Committee was set up on 24 May 2001 to act on behalf of the Board on matters concerning administrative operations, capital expenditure, debt approvals and investments. It meets at regular intervals to review the operations, budget and investment strategy. It has three members comprising the two Executive Directors and one Senior Executive:

- 1) Datin Seri Ooi Ah Thin (Chairperson, Executive - Sales of Crude Palm Oil & Kernel/Fertiliser Procurement)
- 2) Dato Mah King Seng (Joint Managing Director - Mills, Estate and Hotel Operations)
- 3) Dato Mah King Thian (Joint Managing Director - Accounting, Corporate & Legal Affairs)

The Nominating Committee was set up on 24 May 2001 with the objective of ensuring there is an effective process for director selection and tenure and an appropriate structure for management succession and development. It is responsible for the recommendations of candidates for appointments to the Board, the formulation of a programme for the orientation of the Directors and the succession planning for the senior management. The Committee shall conduct a review of the required mix of skills, experience and core competencies of the Board and an assessment of the Board's effectiveness and contribution on an annual basis. The Committee did not hold any meeting in the year 2004. The Committee comprises exclusively the following two Independent Directors:

- 1) Azizah binti Kassim (Chairperson)
- 2) Koay Say Loke Andrew

The Remuneration Committee was set up on 24 May 2001 with the objective of reviewing and recommending to the Board a formal and transparent policy on the remuneration of the Executive Directors and for fixing the remuneration packages of individual directors and approving employee compensation and benefits programme to ensure that the Executive Directors are fairly rewarded for their contributions to the Group's overall performance and the levels of remuneration are sufficient to attract and retain the best senior managers for the Group. It is responsible for making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors and on the fees to be recommended to the Company's shareholders for approval for payment to the Non-Executive Directors. The Executive Directors abstain from the deliberations and voting on decisions in respect of their individual remuneration. The Remuneration Committee has held one meeting on 26 January 2005 to decide on the Company's policy on the payment of remuneration to its Directors and staff.

The Remuneration Committee comprises the following three members, the majority of whom are Non-Executive Directors:

- 1) Koay Say Loke Andrew (Chairman, Independent Non-Executive)
- 2) Dato Mah King Thian (Joint Managing Director)
- 3) Azizah binti Kassim (Independent Non-Executive)

The Committee for the review of the preparation of press releases or public announcements, comprising the two Joint Managing Directors, Dato Mah King Seng and Dato Mah King Thian, is responsible for making timely dissemination of information to the shareholders and investing public and ensuring that the information released is factual, clear, accurate and not false or misleading.

Directors' Remuneration

The Company pays its Non-Executive Directors allowances based on attendance of meetings and level of responsibilities immediately after year end. There are no contracts of service between any Director and the Company and its subsidiaries.

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the financial year are as follows:

- a) Aggregate remuneration of Directors categorised into the appropriate components:

Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
(a) Directors' Fees	-	-	-
(b) Salaries	374,800.00	-	374,800.00
(c) Bonuses/Allowances	232,370.00	69,850.00	302,220.00
(d) Benefits in kind - EPF/Socso/Car	124,728.40	-	124,728.40



Statement on Corporate Governance

(cont'd)

b) Analysis of Remuneration

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	4
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	2	-

Shareholders

Investor Relations and Shareholder Communication

The Board recognises the importance of timely dissemination of information to its shareholders to keep them well informed of all major developments of the Group. Disclosures in the Annual Report, announcements and releases of the quarterly financial results provide the shareholders and the investing public with a periodic overview of the Group's performance and operations.

The Company uses the Annual General Meeting (AGM) as a forum for dialogue and interaction with all shareholders. Shareholders are encouraged to attend and participate in the AGM. They will be given the opportunity to seek clarification on any matters pertaining to the Company's affairs and performance as Members of the Board and representatives of the external Auditors will be present to answer any questions they may have.

The Board has identified Koay Say Loke Andrew as the Senior Independent Non-Executive Director to be the Liaison Director to whom the shareholders, management and others may convey their concerns.

Shareholders may also contact the Company Secretary at any time for information.

Accountability and Audit

Financial Reporting

In addition to providing financial reports on an annual basis, the Group's financial results are also now presented to shareholders on a quarterly basis through the BURSA Link. Before their release to the Bursa Securities, the quarterly financial results are reviewed by the Audit Committee and approved by the Directors. A statement by the Directors of their responsibilities in preparing the financial statements is set out on Page 19 of this Annual Report.

Internal Control

The Statement on Internal Control set out on Page 20 of the Annual Report provides a review of the system of internal control within the Group.

Relationship with the Auditors

The Board has established a formal and transparent arrangement with its external auditors to meet their professional requirements. The auditors have continued to highlight to the Audit Committee and Board of Directors matters that require the Board's attention.

Compliance with the Code

The Group has complied with the Best Practices of the Code except for the following minor exceptions that, in the opinion of the Directors, adequately suit the circumstances:

- Disclosure of Directors' remuneration is not made in detail for each Director. However, the remuneration paid are disclosed in aggregates of the categories of remuneration and, in compliance with the Bursa Securities LR, analysed into bands of RM50,000.
- The Nominating Committee has not held any meeting since its formation.



Directors' Responsibility Statement

Pursuant to Paragraph 15.27(a) of Bursa Securities Listing Requirements

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

The Directors consider that, in preparing these financial statements, the Company and Group have used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia. They are responsible for taking reasonable steps to safeguard the assets of the Company and Group, for the prevention and detection of fraud and other irregularities.



Statement on Internal Control

The directors are responsible for the group's system of internal control and for reviewing its adequacy and integrity. However, the system is designed to manage rather than eliminate the risk of failure to achieve business objective and could provide only reasonable and not absolute assurance against material misstatement or loss.

Following the publication of guidance for directors on internal control, *Statement on Internal Control: Guidance for directors of Public Listed Companies*, the board confirms that there is in place an ongoing process for identifying, evaluating and managing the significant risks affecting the business operation of the group. The system comprises clearly defined policies and procedures and responsibilities on the part of operational and financial management for the maintenance of proper and effective controls and the provision of reliable and timely financial management information.

The board has assessed the various types of risks, which might have an impact on the profitable operation of the group's business. These include operational risk, market risk, legal risk and environmental risk. After the review and taking into consideration the nature of business in the group, the Directors are of the view that the Group is not materially exposed to legal and environmental risks and therefore had concluded to focus on the operational risks relevant to the business. Although there is exposure to market risk as a result of price fluctuation in the commodity market, the Directors consider these as movement in market forces and it has been inherent in the industry in which the Group operates.

The Board has established a formal Group Risk Management Committee comprising Joint MD and senior management. The Group Risk Management Committee is entrusted with the responsibilities to identify and evaluate various critical risks that are considered likely to affect the profitable operation of the business units in the Group.

Relevant discussions have been held with the operational managers on the major risks affecting the business operations of the Group. As a result, a database of all major risks and controls and subsequent action taken was compiled with the relevant information to produce a divisional risk profile of the business units evaluated under the risk management plan.

There has been established a set of suitable internal control procedures and proper segregation of duties at the operational level for the identification, evaluation and management of significant risks applicable to the relevant business operation. The process is facilitated by the internal audit, which also provides a degree of assurance as to the operation and validity of the system of internal control. Planned corrective actions are effected and independently monitored where necessary.

The management reports regularly on their review of risks and how they are managed to the audit committee, whose main role is to review on behalf of the board, the key risks inherent in the business and system of controls necessary to manage these risks and to present the findings to the board. The Board outsourced its internal audit function to a firm of consultants to carry out the internal audit review of the Group using a risk-based approach. The internal audit independently reviews the internal control procedures and processes implemented by the management and reports to the audit committee. During the financial year, the internal audit review had been postponed until March 2005 due to change of firm of consultants. Nevertheless, as at date of this report, the review of internal control procedures and processes had been completed. The audit committee reviews the assurance procedures, ensuring that a suitable set of techniques is used to obtain the level of assurance required by the board.

Audit Committee Report

Members of the Committee

Koay Say Loke Andrew	-	Chairman	(Senior Independent Non-Executive Director)
Dato Mah King Thian	-	Member	(Joint Managing Director)
Azizah binti Kassim	-	Member	(Independent Non-Executive Director)

Terms of Reference

Constitution

The Audit Committee was established on 27 September 2000. The terms of reference of the Audit Committee are as follows:

Composition of Audit Committee (Committee)

The Committee shall be appointed by the Board from among its Directors (except alternate directors) and shall fulfill the following requirements:

- (a) the Committee must be composed of no fewer than three (3) members;
- (b) a majority of the Committee must be independent directors; and
- (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

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

The Board shall, within three (3) months of any vacancy occurring in the Committee which results in the non-compliance of composition of the Committee, appoint such number of new members as may be required to comply with the required composition.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three years.

Rights

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.



Audit Committee Report

(cont'd)

Functions

The functions of the Committee shall include the following:

- (1) review the following and report the same to the Board:
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report, management letter and management's response;
 - (d) the assistance given by the employees of the Company to the external auditor;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;
 - (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) any letter of resignation from the external auditors of the Company; and
 - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
- (2) recommend the nomination of a person or persons as external auditors.

Meetings

Meetings of the Committee shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable. The quorum for a meeting of the Committee shall be two (2) Provided Always that the majority of members present must be independent directors and any decision shall be by a simple majority.

Other Board members and employees may attend any particular meeting only at the Committee's invitation.

The Company Secretary shall be the Secretary of the Committee.

Reporting Procedures

The Secretary shall maintain minutes of the proceedings of the meetings of the Committee and circulate such minutes to all members of the Board.

Audit Committee Report

Composition

The Audit Committee comprises three members of the Board of which two are Independent Non-Executive Directors. The Company has thus complied with the Bursa Securities LR which require the Audit Committee to have no fewer than 3 members and a majority of members to be Independent Directors. In addition, the Committee's Chairman who is an Independent Director, is also a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

Number of Meetings & Details of Attendance

During the year under review, the Audit Committee held five meetings as scheduled, on 25 February 2004, 23 April 2004, 26 May 2004, 18 August 2004 and 29 November 2004 to conduct and discharge its functions in accordance with its Terms of Reference. The Group Accountant and representatives of the external auditors were invited to attend the Audit Committee meetings conducted during the financial year under review. The attendance record of each member is as follows:

Audit Committee Members	Number of Meetings Attended
Koay Say Loke Andrew	5 of 5
Dato Mah King Thian	5 of 5
Azizah binti Kassim	5 of 5



Audit Committee Report

(cont'd)

Reports and Minutes

Detailed reports issued by the external auditors are circulated to all the members of the Audit Committee and the Executive Directors prior to the meetings at which they will be tabled for discussion.

Minutes of meetings of the Audit Committee are circulated to all members of the Audit Committee and all members of the Board and tabled at subsequent Board Meetings. The Chairman of the Audit Committee also updates the Board at subsequent Board Meetings on specific issues reviewed or deliberated on by the Committee.

Activities

The activities of the Audit Committee during the year under review are as summarised below:

- (a) Reviewed the unaudited quarterly Group results prior to recommendation to the Board for approval for announcement to the Bursa Securities.
- (b) Reviewed, prior to the commencement of audit, the external auditors' scope of engagement, their audit plan and approach and their request for an increase in audit fees.
- (c) Reviewed and discussed with the external auditors the updates on new developments on accounting standards issued by the Malaysian Accounting Standards Board and the Company's compliance with the applicable approved standards.
- (d) Reviewed with the external auditors the results of their audit, their audit report and management letters relating to the audit, their internal control recommendations in respect of control weaknesses noted in the course of their audit and the management's responses thereto. The Committee also appraised the adequacy of actions and measures subsequently taken by the management to address the issues and recommended, where relevant, further improvement measures.
- (e) Reviewed the draft audited financial statements together with external auditors prior to recommendation to the Board for approval.
- (f) Considered the proposals received for the internal audit function and recommended the appointment of the internal auditor.
- (g) Reviewed the internal auditor's terms of reference and scope of engagement, fees and audit plan.
- (h) Reviewed the Company's compliance with the Bursa Securities LR.
- (i) Reviewed the Company's status of compliance with the Malaysian Code on Corporate Governance for the purpose of issuing the Statement on Corporate Governance pursuant to the requirements of the Bursa Securities LR.
- (j) Reviewed the related party transactions that had arisen prior to recommendation to the Board for approval.

Internal Audit Function

The Group outsourced its internal audit function. The role of the Internal Audit Function, which reports directly to the Audit Committee, is to support the Audit Committee by providing it with independent and objective reports on the adequacy and effectiveness of the system of internal control and the extent of compliance with the procedures and recommending ways to rectify shortfall and improve the existing control environment in relation to the Group's operations. It submits its findings and recommendations to the Audit Committee and senior management of the Group. However, no internal audit were carried out for the year ended 31 December 2004 as the Company had changed its Internal Auditor to another firm of consultant of which the audit review commenced in March 2005 and completed as at date of this report.



Additional Compliance Information

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad
For the year ended 31 December 2004

Utilisation of Proceeds

The Company did not raise any funds through any corporate proposal during the financial year.

Share Buy-Back

The Company did not make any share buy-back during the financial year.

Options, Warrants or Convertible Securities

No options, warrants or convertible securities were exercised during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

Sanctions and/or Penalties

There were no material public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

Non-Audit Fees

Non-audit fees paid to the external Auditors for the financial year amounted to RM25,500.

Variation in Results (subject to Audit)

There was no material variance between the audited results for the financial year ended 31 December 2004 and unaudited results previously released for the financial quarter ended 31 December 2004.

Profit Guarantee

There was no profit guarantee given by the Company during the financial year.

Material Contracts awarded to Directors and Substantial Shareholders

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interests still subsisting at the end of the financial year.

Recurrent Related Party Transactions

The Company incurs related party transaction in the ordinary course of business with its substantial shareholder, DMR, and private companies connected to certain directors. The total amount involved falls below the threshold requiring announcements and/or shareholders' mandate.

Revaluation Policy on Landed Properties

There was no revaluation of landed properties during the financial year.

**List of Properties** as at 31 December 2004

Location	Description	Approximate Land Area	Tenure	Expiry dates of the leasehold interests	Net book value RM'000	Date of last revaluation
Lot Nos. 2768, 3502, 3537, 4471, 4475, 5228, 5229, 5936, 9249 to 9295 (incl.), 12657 and 12658, Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan (MHC Plantations Bhd.)	Oil palm estate	849.8 acres	Grant in perpetuity	N/A	3,414	30.9.1998
Lot Nos. 2327, 5299, 5300, 8275 and 16413, Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan (MHC Plantations Bhd.)	Oil palm estate	702.6 acres	Grant in perpetuity	N/A	2,543	30.9.1998
Lot Nos. 3318, 3319, 3342 to 3345 (incl.), Town of Teluk Intan, District of Hilir Perak, Perak Darul Ridzuan (MHC Plantations Bhd.)	6 ¹ / ₂ -storey commercial structure partly used as a hotel known as Hotel Anson and partly as office premises	10,142 sq. feet	Leasehold 999 years/ 22 years	21.2.2883	1,712	30.9.1998
Lot No. 7279, Mukim of Changkat Jong, District of Hilir Perak, Perak Darul Ridzuan (Anson Oil Industries Berhad)	Oil palm estate	992.3 acres	Leasehold 60 years	28.8.2039	4,789	30.9.1998
Lot No. 6872, Mukim of Hutan Melintang, District of Hilir Perak, Perak Darul Ridzuan (Anson Oil Industries Berhad)	Oil palm estate	906.9 acres	Leasehold 60 years	24.5.2033	2,436	30.9.1998
Lot No. 10471, Mukim of Hutan Melintang, District of Hilir Perak, Perak Darul Ridzuan (Majuperak Plantation Sdn. Bhd.)	Oil palm estate	1,000.5 acres	Leasehold 60 years	11.1.2055	4,308	30.9.1998
Lot No. PT. 68 Mukim of Hutan Melintang, District of Hilir Perak, Perak Darul Ridzuan (Sharikat Muzwin Bersaudara Sdn. Bhd.)	Oil palm estate	1,000.0 acres	Leasehold 60 years	16.11.2032	1,941	30.9.1998



List of Properties as at 31 December 2004
(cont'd)

Location	Description	Approximate Land Area	Tenure	Expiry dates of the leasehold interests	Net book value RM'000	Date of last revaluation
Lot No. 7328, Mukim of Changkat Jong, District of Hilir Perak Darul Ridzuan (Yew Lee Holdings Sdn. Berhad.)	Oil palm estate	969.0 acres	Leasehold 60 years	1.3.2038	1,026	30.9.1998
Lot No. 6879, Mukim of Hutan Melintang, District of Hilir Perak, Perak Darul Ridzuan (Hutan Melintang Plantations Sdn. Berhad.)	Oil palm estate	978.9 acres	Leasehold 60 years	24.7.2033	4,616	30.9.1998
Lot Nos. 10065, 10066, 10068, 10069, 10071 - 10076 (Incl.), Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan (Champion Point Sdn. Bhd.)	Oil palm estate	193.3 acres	Grant in perpetuity	N/A	2,131	30.9.1998
PL 176291473 Kg. Lingkungan District of Beaufort, Sabah (Ladang MHC-KPD Sdn. Bhd.)	Oil palm estate	4,000.0 acres	Leasehold 99 years	31.12.2087	14,252	22.12.1998



FINANCIAL STATEMENTS

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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 year ended 31 December 2004.

Principal Activities

The principal activities of the Company consist of oil palm cultivation, investment holding and the operation of a hotel.

The principal activities of the subsidiary companies are set out in Note 4 to the financial statements.

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

Results

	Group RM	Company RM
Profit after taxation	17,207,431	14,717,671
Minority interests	(116,804)	-
Profit attributable to shareholders	<u>17,090,627</u>	<u>14,717,671</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

Dividends

During the financial year, the Company paid a final dividend of 3% less tax amounting to RM1,516,205 as proposed in the Directors' Report of the previous financial year.

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2004, of 3% less 28% taxation on 70,194,275 ordinary shares, amounting to a total dividend of RM1,516,196 (2.16 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2005.

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:

Aznam bin Mansor
Dato Mah King Seng
Dato Mah King Thian
Mah Siew Hoe
Azizah Binti Kassim
Koay Say Loke Andrew

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

**Directors' Report***(cont'd)*

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act 1965, interests in shares in the Company and its subsidiary companies as stated below:

	Balance as at 1.1.2004	Number of ordinary shares of RM1 each		Balance as at 31.12.2004
		Bought During the year	Sold	
MHC PLANTATIONS BHD				
Direct interest				
Aznam bin Mansor	7,770	-	-	7,770
Dato Mah King Seng	38,853	77,200	-	116,053
Dato Mah King Thian	33,303	-	-	33,303
Mah Siew Hoe	7,773	-	-	7,773
Azizah Binti Kassim	7,770	-	-	7,770
Koay Say Loke Andrew	11,100	-	-	11,100
Deemed interest				
Aznam bin Mansor	1,797,000	-	1,300,000	497,000
Dato Mah King Seng	32,772,485	1,300,000	-	34,072,485
Dato Mah King Thian	32,772,485	1,300,000	-	34,072,485
Subsidiary company CHAMPION POINT SDN BHD				
Direct interest				
Dato Mah King Thian	1	-	-	1
Deemed interest				
Dato Mah King Seng [^]	99,998	-	-	99,998
Dato Mah King Thian [^]	99,998	-	-	99,998

[^] By virtue of shares held by Rare Properties Sdn Bhd

By virtue of their interests in the Company, Dato Mah King Seng and Dato Mah King Thian are deemed to be interested in shares in the subsidiary companies to the extent that the Company has an interest.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the Group 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 the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed by Section 169 (8) of the Companies Act 1965 except those disclosed in the financial statements.



Directors' Report

(cont'd)

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:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of circumstances which would render:
- the amount written off for bad debts or the amount of the allowance for doubtful debts of the Group and of the Company inadequate to any substantial extent; and
 - the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the consolidated financial statements and financial statements misleading.
- (e) As at the date of this report there does not exist:
- 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
 - any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- no contingent liability 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
 - 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 Events

- (a) During the financial year, the Company disposed of its entire equity interest in the subsidiary company, MHC Kemayan Plantation Sdn Bhd ("MKPSB"), for a cash consideration of RM11,879,379 and repayment of advances given to MKPSB by the Company.
- (b) During the financial year, the Company acquired 100% equity interest in Mistral Engineering Sdn Bhd, comprising 2 ordinary shares of RM1 each for a cash consideration of RM2.

Auditors

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

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

DATO MAH KING SENG

Ipoh, Perak Darul Ridzuan, Malaysia

Date: 27 April 2005

DATO MAH KING THIAN

**Balance Sheets** as at 31 December 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	63,017,104	111,825,195	11,791,779	11,529,115
Subsidiary companies	4	-	-	48,851,640	48,951,636
Other investments	5	3,551,056	3,365,206	378,173	192,324
Goodwill on consolidation	6	18,894,834	18,891,001	-	-
		<u>85,462,994</u>	<u>134,081,402</u>	<u>61,021,592</u>	<u>60,673,075</u>
CURRENT ASSETS					
Inventories	7	618,717	1,663,105	366,370	168,719
Receivables	8	6,525,784	2,810,989	29,012,144	64,261,934
Fixed deposits with licensed banks	9	58,219,731	928,500	33,039,731	209,000
Cash and bank balances		2,401,347	1,671,801	966,499	19,182
		<u>67,765,579</u>	<u>7,074,395</u>	<u>63,384,744</u>	<u>64,658,835</u>
CURRENT LIABILITIES					
Payables	10	2,402,046	3,935,522	25,294,057	39,399,627
Hire purchase payables	11	226,387	568,071	24,430	29,340
Bank overdraft	12	-	37,439	-	37,439
Taxation		455,691	517,611	55,802	238,943
		<u>3,084,124</u>	<u>5,058,643</u>	<u>25,374,289</u>	<u>39,705,349</u>
NET CURRENT ASSETS					
		<u>64,681,455</u>	<u>2,015,752</u>	<u>38,010,455</u>	<u>24,953,486</u>
		<u>150,144,449</u>	<u>136,097,154</u>	<u>99,032,047</u>	<u>85,626,561</u>
Financed by:					
CAPITAL AND RESERVES					
Share capital	13	70,194,275	70,194,275	70,194,275	70,194,275
Reserves	14	73,499,903	57,925,483	28,091,124	14,889,658
		<u>143,694,178</u>	<u>128,119,758</u>	<u>98,285,399</u>	<u>85,083,933</u>
SHAREHOLDERS' FUNDS					
		<u>143,694,178</u>	<u>128,119,758</u>	<u>98,285,399</u>	<u>85,083,933</u>
MINORITY INTERESTS					
		<u>2,279,993</u>	<u>2,163,189</u>	<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES					
Hire purchase payables	11	317,056	271,193	-	24,430
Deferred tax liabilities	15	3,853,222	5,543,014	746,648	518,198
		<u>4,170,278</u>	<u>5,814,207</u>	<u>746,648</u>	<u>542,628</u>
		<u>150,144,449</u>	<u>136,097,154</u>	<u>99,032,047</u>	<u>85,626,561</u>

The annexed notes form an integral part of these financial statements.

**Income Statements** for the year ended 31 December 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	16	31,868,523	60,115,874	5,205,726	3,911,941
Cost of sales		(20,717,862)	(48,883,761)	(1,902,340)	(1,692,358)
Gross profit		11,150,661	11,232,113	3,303,386	2,219,583
Other operating income		1,025,668	272,364	985,248	260,851
Distribution costs		(129,178)	(689,113)	-	-
Administrative expenses		(2,792,877)	(1,917,619)	(1,370,957)	(845,365)
Loss on disposal of property, plant and equipment arising from the closure of a subsidiary company's oil mill		-	(1,101,988)	-	-
Gain on disposal of a subsidiary company		10,183,690	-	11,779,381	-
Profit from operations		19,437,964	7,795,757	14,697,058	1,635,069
Finance costs	17	(106,015)	(266,183)	(46,016)	(65,099)
Operating profits		19,331,949	7,529,574	14,651,042	1,569,970
Income from investments	18	691,799	250,197	1,176,476	2,805,065
Profit before taxation	19	20,023,748	7,779,771	15,827,518	4,375,035
Taxation	20	(2,816,317)	(2,403,887)	(1,109,847)	(1,258,698)
Profit after taxation		17,207,431	5,375,884	14,717,671	3,116,337
Minority interest		(116,804)	(93,096)	-	-
Profit attributable to shareholders		17,090,627	5,282,788	14,717,671	3,116,337
Earnings per share	21	24.35 sen	7.53 sen		
Proposed net dividends per share	22	2.16 sen	2.16 sen		

The annexed notes form an integral part of these financial statements.

**Statements of Changes in Equity** for the year ended 31 December 2004

Group	Note	Non-distributable				Distributable			Total RM
		Share capital RM	Share premium RM	Capital reserve RM	Revaluation reserve RM	Reserve on consolidation RM	Capital reserve RM	Retained profits RM	
As at 31 December 2002		63,238,086	8,212,680	5,736,883	826,113	4,231,067	6,929,292	35,939,420	125,113,541
Revaluation surplus realised		-	-	-	(269,000)	-	269,000	-	-
Profit for the year	22	-	-	-	-	-	-	5,282,788	5,282,788
Dividend	22	-	-	-	-	-	-	(2,276,571)	(2,276,571)
Bonus issue	13	6,956,189	-	-	-	-	-	(6,956,189)	-
As at 31 December 2003		70,194,275	8,212,680	5,736,883	557,113	4,231,067	7,198,292	31,989,448	128,119,758
Disposal of a subsidiary company		-	-	-	-	(2)	-	-	(2)
Profit for the year	22	-	-	-	-	-	-	17,090,627	17,090,627
Dividend	22	-	-	-	-	-	-	(1,516,205)	(1,516,205)
As at 31 December 2004		70,194,275	8,212,680	5,736,883	557,113	4,231,065	7,198,292	47,563,870	143,694,178



Statements of Changes in Equity for the year ended 31 December 2004
(cont'd)

	Note	Non distributable		Distributable		Total RM
		Share capital RM	Share premium RM	Capital reserve RM	Retained profits RM	
Company						
As at 31 December 2002		63,238,086	8,212,680	4,496,239	8,297,162	84,244,167
Profit for the year		-	-	-	3,116,337	3,116,337
Dividend	22	-	-	-	(2,276,571)	(2,276,571)
Bonus issue	13	6,956,189	-	-	(6,956,189)	-
As at 31 December 2003		70,194,275	8,212,680	4,496,239	2,180,739	85,083,933
Profit for the year		-	-	-	14,717,671	14,717,671
Dividend	22	-	-	-	(1,516,205)	(1,516,205)
As at 31 December 2004		70,194,275	8,212,680	4,496,239	15,382,205	98,285,399

The annexed notes form an integral part of these financial statements.

**Cash Flow Statements** for the year ended 31 December 2004

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
OPERATING ACTIVITIES				
Profit before taxation	20,023,748	7,779,771	15,827,518	4,375,035
Adjustments for:				
Allowance for diminution in value of other investments	-	60,000	-	-
Bad debts written off	76,163	-	76,163	-
Depreciation	1,827,421	2,482,998	346,151	199,832
Interest expense	106,015	266,183	46,016	65,099
Gains arising from disposal of:				
- a subsidiary company	(10,183,690)	-	(11,779,381)	-
- property, plant and equipment	-	(57,296)	-	(52,297)
- quoted investments	(446,565)	-	(446,565)	-
Loss on disposal of property, plant and equipment	903	1,101,988	903	-
Property, plant and equipment written off	237,416	68,381	-	67,856
Interest income	(876,687)	(28,537)	(838,249)	(3,616)
Dividend income	(245,234)	(250,197)	(729,911)	(2,805,065)
Operating profit before working capital changes	10,519,490	11,423,291	2,502,645	1,846,844
Changes in working capital:				
Inventories	521,035	(287,041)	(197,651)	(14,286)
Receivables	(3,946,316)	787,080	(5,230,950)	(217,417)
Payables	48,301,691	161,139	294,188	(114,875)
Subsidiary companies' accounts	-	-	26,004,819	1,391,049
Cash generated from operations	55,395,900	12,084,469	23,373,051	2,891,315
Interest received	876,687	28,537	838,249	3,616
Interest paid	(106,015)	(266,183)	(46,016)	(65,099)
Tax paid	(2,672,188)	(1,114,959)	(945,354)	(416,673)
Net cash from operating activities	53,494,384	10,731,864	23,219,930	2,413,159
INVESTING ACTIVITIES				
Dividend received	179,159	185,122	610,727	2,024,628
Placement of pledged fixed deposits	(167,500)	-	(250,000)	-
Acquisitions of property, plant and equipment	(5,198,470)	(6,330,435)	(610,718)	(2,253,225)
Acquisition of a subsidiary company (Note 25(a))	-	-	(2)	-
Purchases of quoted investments	(486,916)	-	(486,916)	-
Proceeds from disposal of:				
- a subsidiary company (Note 25(b))	11,471,844	-	11,879,379	-
- property, plant and equipment	92,259	-	1,000	162,852
- quoted investments	747,632	987,338	747,632	-
Net cash from/(used in) investing activities	6,638,008	(5,157,975)	11,891,102	(65,745)



Cash Flow Statements *for the year ended 31 December 2004* (cont'd)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
FINANCING ACTIVITIES				
Repayment of revolving credit	-	(2,565,000)	-	-
Payment of hire purchase obligations	(725,471)	(769,349)	(29,340)	(29,340)
Dividends paid	(1,516,205)	(2,303,544)	(1,516,205)	(2,276,571)
Net cash used in financing activities	(2,241,676)	(5,637,893)	(1,545,545)	(2,305,911)
Net increase/(decrease) in cash and cash equivalents	57,890,716	(64,004)	33,565,487	41,503
Cash and cash equivalents as at 1 January	2,325,362	2,389,366	190,743	149,240
Cash and cash equivalents as at 31 December	60,216,078	2,325,362	33,756,230	190,743
(a) Cash and cash equivalents				
Cash and cash equivalents as at 31 December comprise the following balance sheet amounts:				
Bank overdraft	-	(37,439)	-	(37,439)
Fixed deposits	58,219,731	928,500	33,039,731	209,000
Cash and bank balances	2,401,347	1,671,801	966,499	19,182
	60,621,078	2,562,862	34,006,230	190,743
Less: Fixed deposits pledged	(405,000)	(237,500)	(250,000)	-
	60,216,078	2,325,362	33,756,230	190,743
(b) Property, plant and equipment				
During the year, the Group and the Company acquired property, plant and equipment by:				
Cash	5,198,470	6,330,435	610,718	2,253,225
Hire purchase arrangement	518,400	257,000	-	-
Capitalisation of depreciation charge	146,914	91,435	-	-
	5,863,784	6,678,870	610,718	2,253,225

The annexed notes form an integral part of these financial statements.



Notes to the Financial Statements - 31 December 2004

1. Corporate Information

MHC Plantations Bhd is a public limited company listed on the Main Board of Bursa Malaysia Securities Berhad. The Company is incorporated and domiciled in Malaysia.

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

Registered office	Principal place of business
No. 35 Jalan Hussein 30250 Ipoh Perak Darul Ridzuan	No.1 Medan Sri Intan Jalan Sekolah 36000 Teluk Intan Perak Darul Ridzuan

The principal activities of the Company consist of oil palm cultivation, investment holding and the operation of a hotel.

The principal activities of the subsidiary companies are set out in Note 4 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 April 2005.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies, modified to include the revaluation of certain property, plant and equipment and comply with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of Consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies and drawn up to the same reporting date.

Subsidiary companies are consolidated using the acquisition method of accounting from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The difference between the acquisition cost and the fair value of the subsidiary company's net assets is reflected as goodwill or reserve on consolidation as appropriate.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

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 or reserve on acquisition.

All intercompany transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered.



Notes to the Financial Statements - 31 December 2004

(cont'd)

2. Significant Accounting Policies (cont'd)

(c) Goodwill and Reserve on Consolidation

Goodwill arising on consolidation 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 company at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q). Goodwill is not amortised but is reviewed annually for impairment in value and written down where it is considered necessary.

Conversely, reserve arising from consolidation, which represents the excess of the fair value of the identifiable assets and liabilities of a subsidiary company over the cost of acquisition, is taken to reserve.

(d) Property, Plant and Equipment

All property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain property, plant and equipment have subsequently been revalued and are stated in the balance sheet at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation. The Company has availed itself of the transitional provision in International Accounting Standard 16 - 'Property, Plant and Equipment', as previously adopted by the MASB, by virtue of which a reporting enterprise is allowed to retain revalued amounts on the basis of their previous revaluations (subject to continuity in depreciation policy and requirement to write an asset down to its recoverable amounts, as applicable), if it does not further revalue such assets.

Recognition and measurement of impairment losses is as stated in Note 2(q).

On the subsequent sale or retirement of a revalued property, plant and equipment, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distributable reserve.

Plant in the course of construction for production is carried at cost, less any impairment loss where the recoverable amount of the plant is estimated to be lower than its carrying amount. Depreciation of the plant, on the same basis as other plant, commences when the plant is ready for its intended use.

Freehold land is not amortised whilst leasehold land is amortised over the term of the lease ranging between 56 and 999 years.

Expenditure incurred on new planting and the upkeep of trees to maturity is capitalised under plantation development expenditure, while replanting expenditure is charged to the income statement in the year in which the expenditure is incurred. Plantation development expenditure is not amortised unless cultivated on leasehold land, where it is amortised over 25 years. Amortisation commences upon maturity of the new plantings.

Depreciation on linen, cutlery and utensils is calculated at 20% on a straight line method on the initial outlay of expenditure which is capitalised. Subsequent additions and replacements are charged to the income statement as and when they are incurred.

Depreciation is provided on all other property, plant and equipment, at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

	%
Buildings	2 - 10
Motor vehicles	10 - 20
Electrical installation, furniture, fittings, equipment, motor launches, jetties, roads, drainage and signboard	5 - 10
Plant and machinery	5

Fully depreciated property, plant and equipment are retained in the financial statements at a nominal value until they are no longer in use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is taken to the income statement.

Notes to the Financial Statements - 31 December 2004 (cont'd)

2. Significant Accounting Policies (cont'd)

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of produce inventories comprises ex-estate costs, a proportion of head office costs and attributable labour costs and overheads, determined on the weighted average cost method.

Nursery plant is valued at the cost of seed, fertilisers and sprays.

Store and materials are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method.

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

(f) Investments in Subsidiary Companies

The carrying amounts of investments in subsidiary companies are stated at cost less impairment losses. Recognition and measurement of impairment losses is as stated in Note 2(q).

On disposal of such investments, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(g) Other Investments

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

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(h) Revenue Recognition

The Group and the Company recognise revenue when persuasive evidence suggests that delivery has occurred or services rendered, the price is fixed or determinable and collectibles is reasonably assured. The following specific criteria must also be met before revenue is recognized:

Sale of goods/services	-	upon acceptance of delivery or upon performance of service
Interest income	-	on a time proportion basis that takes into account the effective yield on deposit
Investment income	-	when the right to receive is established
Rental income	-	over the period of tenancy

(i) Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for any debt considered to be doubtful of collection.

(j) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future, whether or not billed to the Group.

(k) 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 or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.



Notes to the Financial Statements - 31 December 2004 (cont'd)

2. Significant Accounting Policies (cont'd)

(l) Government Grants

Government grants are recognised initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

(m) 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 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 that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(n) Employee Benefits

(i) Short term benefits

Short term benefits such as 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 Company. 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. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Retirement benefits

No provision is made for retirement benefits as the Group and the Company have no present obligation to pay retirement benefits. The cost of retirement benefits is charged to the income statement in the year in which it is incurred.

(o) Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event which 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.

Notes to the Financial Statements - 31 December 2004 (cont'd)

2. Significant Accounting Policies (cont'd)

(p) Hire Purchase

Assets acquired under hire purchase agreement are included in property, plant and equipment and the corresponding liability is included in the balance sheet as hire purchase payables.

The hire purchase instalments are allocated between the reduction of the hire purchase liability and hire purchase interest expense for the period. The hire purchase interest is charged to the income statement over the hire purchase period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

(q) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, deferred tax assets and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(r) 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.

The particular recognition method adopted for financial instruments recognised at balance sheet date is disclosed in the individual policy statement for each item, where applicable.

(s) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are stated after off-set against overdraft balances where appropriate. Cash and cash equivalents in the cash flow statements exclude fixed deposits pledged to financial institutions for guarantee facilities granted and thus not available for use by the Group and the Company.



Notes to the Financial Statements - 31 December 2004 (cont'd)

3. Property, Plant and Equipment

Group	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Plantation development expenditure RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Motor vehicles RM	Electrical installation road and drainage RM	Capital work-in-progress RM	Total
Cost/Valuation												
As at 1 January 2004	12,036,851	45,790,077	19,323,644	9,303,796	24,316,966	13,792,678	1,074,920	434,033	3,751,147	1,165,027	314,787	131,303,926
Additions	-	-	-	111,789	2,262,494	969,369	147,701	43,933	552,634	130,658	1,645,206	5,863,784
Disposal of a subsidiary company	-	(3,680,129)	-	(3,667,641)	(7,016,543)	(12,794,346)	(15,442)	(85,794)	(762,942)	-	-	(58,022,837)
Disposals/Write off	-	-	-	(150,524)	-	(6,439)	-	(64,889)	(268,010)	(225,011)	-	(714,873)
Transfer	-	-	-	-	-	-	-	-	-	293,121	(293,121)	-
As at 31 December 2004	12,036,851	12,109,948	19,323,644	5,597,420	19,562,917	1,961,262	1,207,179	327,283	3,272,829	1,363,795	1,666,872	78,430,000
Representing:												
At cost	6,127,269	11,950,426	3,740,600	4,924,104	18,447,671	1,961,262	1,207,179	327,283	3,272,829	1,363,795	1,666,872	54,989,290
At valuation - 1976	5,909,582	80,000	-	135,896	-	-	-	-	-	-	-	6,125,478
- 1982	-	-	7,968,290	537,420	-	-	-	-	-	-	-	8,505,710
- 1988	-	79,522	614,754	-	1,115,246	-	-	-	-	-	-	8,809,522
As at 31 December 2004	12,036,851	12,109,948	19,323,644	5,597,420	19,562,917	1,961,262	1,207,179	327,283	3,272,829	1,363,795	1,666,872	78,430,000
Accumulated depreciation												
As at 1 January 2004	-	4,333,628	6,865,837	2,155,218	1,794,549	1,823,345	191,657	207,304	1,823,857	283,336	-	19,478,731
Depreciation charge	-	202,512	394,992	166,396	367,217	308,536	115,144	27,918	311,873	79,747	-	1,974,335
Disposal of a subsidiary company	-	(3,204,231)	-	(472,002)	(88,871)	(1,558,600)	(3,728)	(24,888)	(301,643)	(1,914)	-	(5,655,877)
Written back	-	-	-	(98,591)	-	(4,560)	-	(57,663)	(176,902)	(46,577)	-	(384,293)
As at 31 December 2004	-	1,331,909	7,260,829	1,751,021	2,072,895	568,721	303,073	152,671	1,657,185	314,592	-	15,412,896
Net book value												
As at 31 December 2004	12,036,851	10,778,039	12,062,815	3,846,399	17,490,022	1,392,541	904,106	174,612	1,615,644	1,049,203	1,666,872	63,017,104
As at 31 December 2003	12,036,851	41,456,449	12,457,807	7,148,578	22,522,417	11,969,333	883,263	226,729	1,927,290	881,691	314,787	111,825,195
Depreciation charge for 2003	-	549,046	394,991	221,759	280,142	700,967	26,228	34,108	310,408	56,784	-	2,574,433



Notes to the Financial Statements - 31 December 2004 (cont'd)

3. Property, Plant and Equipment (cont'd)

Company	Freehold land RM	Long term leasehold land RM	Buildings RM	Plantation development expenditure RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Electrical installation RM	Capital work-in-progress RM	Total RM
Cost/Valuation											
As at 1 January 2004	6,012,246	388,220	4,237,791	560,214	120,719	709,313	994,145	267,615	167,665	21,666	13,479,594
Additions	-	-	1,500	-	10,246	432,204	125,588	41,180	-	-	610,718
Disposal/Write off	-	-	-	-	-	-	-	(1,998)	(2,099)	-	(4,097)
As at 31 December 2004	6,012,246	388,220	4,239,291	560,214	130,965	1,141,517	1,119,733	306,797	165,566	21,666	14,086,215
Representing:											
At cost	102,664	308,220	4,103,395	560,214	130,965	1,141,517	1,119,733	306,797	165,566	21,666	7,960,737
At valuation -1976	5,909,582	80,000	135,896	-	-	-	-	-	-	-	6,125,478
As at 31 December 2004	6,012,246	388,220	4,239,291	560,214	130,965	1,141,517	1,119,733	306,797	165,566	21,666	14,086,215
Accumulated depreciation											
As at 1 January 2004	-	-	1,280,420	-	8,996	299,604	124,196	149,758	87,505	-	1,950,479
Depreciation charge	-	-	99,408	-	6,549	101,347	107,959	23,937	6,951	-	346,151
Written back	-	-	-	-	-	-	-	(200)	(1,994)	-	(2,194)
As at 31 December 2004	-	-	1,379,828	-	15,545	400,951	232,155	173,495	92,462	-	2,294,436
Net book value											
As at 31 December 2004	6,012,246	388,220	2,859,463	560,214	115,420	740,566	887,578	133,302	73,104	21,666	11,791,779
At 31 December 2003	6,012,246	388,220	2,957,371	560,214	111,723	409,709	869,949	117,857	80,160	21,666	11,529,115
Depreciation charge for 2003	-	-	99,333	-	3,529	47,504	21,595	20,812	7,059	-	199,832



Notes to the Financial Statements - 31 December 2004 (cont'd)

3. Property, Plant and Equipment (cont'd)

Group and Company

Property, plant and equipment shown at Directors' valuation are based on fair market value expressed by independent licensed appraisers. As allowed by the transitional provisions of International Accounting Standard 16 (Revised), 'Property, Plant and Equipment', previously adopted by the MASB, these assets have continued to be stated on the basis of their valuations in the respective years.

Information on the carrying amounts of the revalued assets that would have been included in these financial statements had these assets been carried at cost less accumulated depreciation is not available and therefore has not been disclosed as required by MASB 15 - Property, Plant and Equipment.

The Group's freehold and leasehold land with an aggregate carrying amount of RM4,625,463 (2003 - RM14,778,126) and the Company's freehold land with carrying amount of RMNil (2003 - RM2,543,385) are pledged as securities for banking facilities granted to the Group and Company respectively.

The following carrying amounts of property, plant and equipment of the Group and the Company are currently financed under hire purchase arrangement:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Plant and machinery	662,918	2,885,358	-	-
Motor vehicles	95,017	211,086	95,017	108,591
	757,935	3,096,444	95,017	108,591

Included in additions of plantation development expenditure are estate expenses, depreciation of property, plant and equipment and new planting expenses directly attributed to the plantation development. Capitalised in plantation development expenditure of the Group during the year are the following:

	Group	
	2004 RM	2003 RM
Rental of equipment	13,991	10,985
Depreciation	146,914	91,435
Staff cost:		
Salaries, wages and other related staff cost	292,155	167,497
Employees Provident Fund contributions	29,831	24,724
	481,891	394,641

Titles to certain freehold land of the subsidiary companies with carrying amount of RM2,249,287 (2003 - RM66,000) have yet to be registered in the subsidiary companies' name pending processing by the relevant authority.

4. Subsidiary Companies

	Company	
	2004 RM	2003 RM
At cost		
Unquoted investments	48,851,640	48,951,636



Notes to the Financial Statements - 31 December 2004

(cont'd)

4. Subsidiary Companies (cont'd)

Details of the subsidiary companies, all of which are incorporated in Malaysia, are as follows:

	Group's effective equity interest			Principal activities
	2004	2003		
	%	%		
Direct subsidiary companies				
Champion Point Sdn Bhd	95	95	}	Cultivation of oil palm and sale of fresh fruit bunches.
Majuperak Plantation Sdn Bhd	100	100		
Yew Lee Holdings Sdn Berhad ⁽¹⁾	100	100		
Anson Oil Industries Berhad ⁽¹⁾	98	98	}	Operating an oil palm estate and a mill.
MHC Kemayan Plantation Sdn Bhd	-	100		
Ayu Sempurna Sdn Bhd	100	100	}	Investment holding.
Ayu Gemilang Sdn Bhd	100	100		
Telok Anson Hotel Sdn Berhad	75	75		Property development.
Mistral Engineering Sdn Bhd ⁽¹⁾	100	-		Investment holding.
Indirect subsidiary companies				
Sharikat Muzwin Bersaudara Sdn Bhd ⁽¹⁾⁽²⁾	99.36	99.36	}	Cultivation of oil palm and sale of fresh fruit bunches.
Hutan Melintang Plantations Sdn Berhad ⁽¹⁾⁽²⁾	100	100		
Great Glory Sdn Bhd ⁽¹⁾⁽²⁾	100	100		Investment holding.
Ladang MHC-KPD Sdn Bhd ⁽³⁾	80	80		Cultivation of oil palm and sale of fresh fruit bunches.
Majuperak Sawit Sdn Bhd ⁽⁴⁾	100	100		Dormant

⁽¹⁾ not audited by Ernst & Young

⁽²⁾ through Yew Lee Holdings Sdn Berhad

⁽³⁾ through Ayu Sempurna Sdn Bhd and Ayu Gemilang Sdn Bhd

⁽⁴⁾ through Majuperak Plantation Sdn Bhd

5. Other Investments

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Malaysian investments, at cost				
Quoted investments	420,869	235,019	190,173	4,324
Less: Allowance for diminution in value	(60,000)	(60,000)	-	-
	360,869	175,019	190,173	4,324
Unquoted investments	3,190,187	3,190,187	188,000	188,000
	<u>3,551,056</u>	<u>3,365,206</u>	<u>378,173</u>	<u>192,324</u>
At market value				
Quoted investments	654,747	204,213	475,337	77,755

Included in unquoted investments is an amount of RM3,000,000 (2003 - RM3,000,000) in respect of 7.5% Cumulative Irredeemable Preference Shares.



Notes to the Financial Statements - 31 December 2004 (cont'd)

6. Goodwill On Consolidation

	Group	
	2004 RM	2003 RM
At cost		
As at 1 January	18,891,001	18,891,001
Arising from acquisition of a subsidiary company (Note 25(a))	3,833	-
	18,894,834	18,891,001
As at 31 December	18,894,834	18,891,001

7. Inventories

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
At Cost				
Crude palm oil	-	982,938	-	-
Kernel	-	93,904	-	-
Fresh fruit bunches	-	135,235	-	-
Nursery plant, stores and materials	618,717	451,028	366,370	168,719
	618,717	1,663,105	366,370	168,719
	618,717	1,663,105	366,370	168,719

8. Receivables

Trade receivables	854,765	2,142,241	194,638	167,302
Other receivables	308,959	178,748	201,129	85,427
Prepayments and deposits	5,200,060	311,696	5,101,382	89,633
Dividends receivable	162,000	178,304	-	-
Amounts owing by subsidiary companies	-	-	23,514,995	63,919,572
	6,525,784	2,810,989	29,012,144	64,261,934
	6,525,784	2,810,989	29,012,144	64,261,934

Trade receivables

The Company's trade receivables comprise receivables from sales of fresh fruit bunches and hotel room sales. The normal trade credit term given is 30 days.

The Group's normal trade credit term ranges from 10 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

Dividends receivable

These dividends are receivable from an investment in preference shares in a company where certain Directors have significant financial interests.

Prepayments and deposits

Included in prepayments and deposits is a tender deposit of RM5,000,000 paid for acquisition of estate land. This proposed acquisition has subsequently been aborted after the year end.

Amounts owing by subsidiary companies

	Company	
	2004 RM	2003 RM
Interest bearing advances	2,315,579	-
Non-interest bearing advances	21,199,416	63,919,572
	23,514,995	63,919,572
	23,514,995	63,919,572

These amounts are unsecured and without fixed terms of repayment. The interest bearing advances bear interest at 5% per annum.



Notes to the Financial Statements - 31 December 2004

(cont'd)

9. Fixed Deposits With Licensed Banks

Group

Fixed deposits with licensed banks amounting to RM405,000 (2003 - RM237,500) are pledged as securities for bankers' guarantee facilities granted to the Group.

Included also in fixed deposits is an amount of RM250,000 (2003 - RMNil) held in trust by certain Directors of the Company.

Company

Fixed deposits with a licensed bank amounting to RM250,000 (2003 - RMNil) is pledged and held in trust by certain Directors of the Company as security for bankers' guarantee facilities granted to the Company.

The interest rates of deposits were as follows:

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Licensed banks	2.5 - 3.0	3	2.5 - 3.0	3

The maturities of deposits were as follows:

	Group		Company	
	2004 Days	2003 Days	2004 Days	2003 Days
Licensed banks	31 - 365	30	31	30

10. Payables

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	-	1,708,304	-	-
Other payables	1,408,064	1,391,362	226,196	231,768
Accruals and deposits	993,982	835,856	447,159	147,399
Amounts owing to subsidiary companies	-	-	24,620,702	39,020,460
	<u>2,402,046</u>	<u>3,935,522</u>	<u>25,294,057</u>	<u>39,399,627</u>

The normal trade credit term granted to the Group is 30 days.

	Company	
	2004 RM	2003 RM
Amounts owing to subsidiary companies		
Interest bearing advances	1,900,000	1,900,000
Non-interest bearing advances	22,720,702	37,120,460
	<u>24,620,702</u>	<u>39,020,460</u>

These amounts are unsecured and without fixed terms of repayment. The interest bearing advances bear interest at 2% (2003 - 2%) per annum.



Notes to the Financial Statements - 31 December 2004 (cont'd)

11. Hire Purchase Payables

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Payable not later than one year	281,507	657,694	27,290	32,772
Payable later than one year and not later than five years	336,858	311,548	-	27,290
	<u>618,365</u>	<u>969,242</u>	<u>27,290</u>	<u>60,062</u>
Finance charges on hire purchase	(74,922)	(129,978)	(2,860)	(6,292)
Present value of hire purchase liability	<u>543,443</u>	<u>839,264</u>	<u>24,430</u>	<u>53,770</u>
Represented by:				
Amount payable				
- not later than one year	226,387	568,071	24,430	29,340
- later than one year and not later than five years	317,056	271,193	-	24,430
	<u>543,443</u>	<u>839,264</u>	<u>24,430</u>	<u>53,770</u>

The terms of the hire purchase contracts range between 2 and 5 years. The interest rates, which are fixed at contract date, range between 3.4% to 5.0% (2003 - 3.9% to 5.9%) per annum. All hire purchase contracts are on a fixed payment basis. The Company has granted a corporate guarantee for an amount of RM518,400 (2003 - RM653,494) for hire purchase contracts entered into by a subsidiary company.

12. Bank Overdraft

Group and Company

Previous year's bank overdraft facility was secured by charges over certain of the Company's freehold land and was jointly and severally guaranteed by certain Directors of the Company and bore interest at 8% per annum.

13. Share Capital

	Number of ordinary shares of RM1 each		Amount	
	2004	2003	2004 RM	2003 RM
Authorised:				
As at 1 January and 31 December	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
As at 1 January	70,194,275	63,238,086	70,194,275	63,238,086
Bonus issue during the year	-	6,956,189	-	6,956,189
As at 31 December	<u>70,194,275</u>	<u>70,194,275</u>	<u>70,194,275</u>	<u>70,194,275</u>

The Company had, in previous year increased its issued and fully paid up capital by way of bonus issue of 6,956,189 new ordinary shares of RM1 each by capitalising RM6,956,189 from the retained profits of the Company and applying the same to pay in full at par 6,956,189 new ordinary shares of RM1 each, distributed in the proportion of eleven (11) new ordinary shares of RM1 each for every hundred (100) existing ordinary shares of RM1 each in the Company.



Notes to the Financial Statements - 31 December 2004

(cont'd)

14. Reserves

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Distributable				
- Capital reserve	7,198,292	7,198,292	4,496,239	4,496,239
- Retained profits	47,563,870	31,989,448	15,382,205	2,180,739
	<u>54,762,162</u>	<u>39,187,740</u>	<u>19,878,444</u>	<u>6,676,978</u>
Non-Distributable				
- Capital reserve	5,736,883	5,736,883	-	-
- Revaluation reserve	557,113	557,113	-	-
- Reserve on consolidation	4,231,065	4,231,067	-	-
- Share premium	8,212,680	8,212,680	8,212,680	8,212,680
	<u>18,737,741</u>	<u>18,737,743</u>	<u>8,212,680</u>	<u>8,212,680</u>
	<u>73,499,903</u>	<u>57,925,483</u>	<u>28,091,124</u>	<u>14,889,658</u>

Capital reserve

The distributable capital reserve comprises mainly gains arising from disposal of property, plant and equipment and investments whereas the non-distributable capital reserve represents amount capitalised for bonus issue from post-acquisition reserve of a subsidiary company.

Distributable reserves

Based on estimated tax credit under Section 108 of the Income Tax Act 1967 accrued up to balance sheet date and estimated tax-exempt account balances available, the Company is able to frank the payment of dividends amounting to RM6,803,578 (2003 - RM5,585,226) out of its distributable reserves without having to incur additional tax liability. If the balance of the distributable reserves of RM13,074,866 (2003 - RM1,091,752) were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM5,085,000 (2003 - RM425,000).

Revaluation reserve

Revaluation reserve represents net surplus arising from the revaluation of certain subsidiary companies' properties in 1987 and 1988.

On the subsequent sale or retirement of a revalued asset, the attributable surplus remaining in the revaluation reserve is transferred to distributable reserve.

Share premium

The share premium account may be applied in paying up unissued shares as fully paid bonus shares.

15. Deferred Tax Liabilities

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
As at 1 January	5,543,014	4,917,239	518,198	544,589
Disposal of a subsidiary company (Note 25(a))	(1,964,001)	-	-	-
Recognised in the income statement (Note 20)	274,209	625,775	228,450	(26,391)
	<u>3,853,222</u>	<u>5,543,014</u>	<u>746,648</u>	<u>518,198</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(2,178,628)	(3,306,859)	(31,586)	(106,229)
Deferred tax liabilities	6,031,850	8,849,873	778,234	624,427
	<u>3,853,222</u>	<u>5,543,014</u>	<u>746,648</u>	<u>518,198</u>



Notes to the Financial Statements - 31 December 2004 (cont'd)

15. Deferred Tax Liabilities (cont'd)

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

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM	Revaluation of freehold and leasehold land and buildings RM	Total RM
At 1 January 2003	6,195,240	1,934,707	8,129,947
Recognised in the income statement	803,326	(83,400)	719,926
At 31 December 2003	6,998,566	1,851,307	8,849,873
Disposal of a subsidiary company	(3,439,654)	-	(3,439,654)
Recognised in the income statement	675,831	(54,200)	621,631
At 31 December 2004	4,234,743	1,797,107	6,031,850

Deferred Tax Assets of the Group:

	Unabsorbed business losses RM	Unabsorbed capital and agriculture allowances RM	Payables RM	Total RM
At 1 January 2003	(356,309)	(2,833,128)	(23,271)	(3,212,708)
Recognised in the income statement	162,805	(265,171)	8,215	(94,151)
At 31 December 2003	(193,504)	(3,098,299)	(15,056)	(3,306,859)
Disposal of a subsidiary company	-	1,475,653	-	1,475,653
Recognised in the income statement	(7,275)	(355,203)	15,056	(347,422)
At 31 December 2004	(200,779)	(1,977,849)	-	(2,178,628)

Deferred Tax Liabilities of the Company:

	Property, plant and equipment RM	Revaluation of freehold and leasehold land and buildings RM	Total RM
At 1 January 2003	310,116	270,107	580,223
Recognised in the income statement	44,204	-	44,204
At 31 December 2003	354,320	270,107	624,427
Recognised in the income statement	153,807	-	153,807
At 31 December 2004	508,127	270,107	778,234

Deferred Tax Assets of the Company:

	Unabsorbed capital allowances RM	Payables RM	Total RM
At 1 January 2003	(12,363)	(23,271)	(35,634)
Recognised in the income statement	(78,810)	8,215	(70,595)
At 31 December 2003	(91,173)	(15,056)	(106,229)
Recognised in the income statement	59,587	15,056	74,643
At 31 December 2004	(31,586)	-	(31,586)



Notes to the Financial Statements - 31 December 2004

(cont'd)

16. Revenue

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of				
- fresh fruit bunches	21,318,486	11,880,602	4,684,459	3,761,945
- crude palm oil and palm kernel	9,735,437	47,808,144	-	-
- Other by-products	293,333	277,132	-	-
- hotel rooms	521,267	149,996	521,267	149,996
	<u>31,868,523</u>	<u>60,115,874</u>	<u>5,205,726</u>	<u>3,911,941</u>

17. Finance Costs

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Interests on:				
- bank overdraft	4,584	23,667	4,584	23,667
- advances paid to a subsidiary company	-	-	38,000	38,000
- hire purchase	91,393	123,581	3,432	3,432
- revolving credits	10,038	118,935	-	-
	<u>106,015</u>	<u>266,183</u>	<u>46,016</u>	<u>65,099</u>

18. Income From Investments

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Gross dividend income from:				
- subsidiary companies	-	-	715,000	2,782,628
- unquoted investments	233,640	242,280	8,640	17,280
- quoted investments	11,594	7,917	6,271	5,157
Gain on disposal of quoted investments	446,565	-	446,565	-
	<u>691,799</u>	<u>250,197</u>	<u>1,176,476</u>	<u>2,805,065</u>

19. Profit Before Taxation

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
This is arrived at after charging:				
Allowance for diminution in value of other investments	-	60,000	-	-
Auditors' remuneration				
- audit fee				
- current year's provision	50,900	66,900	20,000	23,000
- (over)/under provision in prior year	(2,500)	5,000	(3,000)	3,000
- non-audit fee				
- current year's provision	25,500	24,000	25,500	24,000
- underprovision in prior year	4,000	-	4,000	-
Bad debts written off	76,163	-	76,163	-
Depreciation	1,827,421	2,482,998	346,151	199,832
Directors' other emoluments				
- Directors of the Company (Note 24)	777,497	517,791	341,057	158,840
- other director of the subsidiary companies (Note 24)	167,261	136,664	-	-



Notes to the Financial Statements - 31 December 2004 (cont'd)

19. Profit Before Taxation (cont'd)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Loss on disposal of property, plant and equipment	903	1,101,988	903	-
Property, plant and equipment written off	237,416	68,381	-	67,856
Rental of equipment	1,499	-	1,499	-
Rental of premises	10,445	71,786	4,700	21,650
Retrenchment cost	-	109,092	-	-
and crediting:				
Interest income from:				
- fixed deposits	876,687	28,537	722,470	3,616
- advances to a subsidiary company	-	-	115,779	-
Rental income	97,768	50,879	96,328	94,764
Gain on disposal of a subsidiary company	10,183,690	-	11,779,381	-
Gain arising from disposals of property, plant and equipment	-	57,296	-	52,297

20. Taxation

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current tax	(2,593,819)	(1,912,768)	(954,000)	(1,300,000)
Deferred tax (Note 15):				
- relating to origination and reversal of temporary differences	(141,110)	(625,775)	(86,161)	26,391
- Under provision in prior years	(133,099)	-	(142,289)	-
	(274,209)	(625,775)	(228,450)	26,391
(Under)/Over provision in prior years				
- Current tax	51,711	136,274	72,603	16,529
- Real Property Gains Tax	-	(1,618)	-	(1,618)
	(2,816,317)	(2,403,887)	(1,109,847)	(1,258,698)

Income tax is calculated at the Malaysian statutory tax rate of 28% of assessable profit for the year. For companies with paid up capital of RM2.5 million and below, income tax is calculated at the Malaysian statutory tax rate of 20% (2003 - 20%) on the first RM500,000 (2003 - RM100,000) of assessable profit for the year and where applicable, 28% (2003 - 28%) on all assessable profit in excess of RM500,000 (2003 - RM100,000).



Notes to the Financial Statements - 31 December 2004

(cont'd)

20. Taxation (cont'd)

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit before taxation	20,023,748	7,779,771	15,827,518	4,375,035
Taxation at applicable statutory tax rate	5,641,730	2,179,140	4,431,705	1,225,010
Effect of change in tax rate	(120,000)	(32,000)	-	-
Income not subject to tax	(3,061,491)	(4,981)	(3,508,284)	(4,981)
Expenses not deductible for tax purposes	282,200	344,457	116,740	53,580
Unrecognised temporary differences arising from property, plant and equipment in prior years	(7,510)	65,170	-	-
Utilisation of previously unrecognised tax losses	-	(13,243)	-	-
(Over)/Under provision in prior years				
- Current tax	(51,711)	(136,274)	(72,603)	(16,529)
- Deferred taxation	133,099	-	142,289	-
- Real Property Gains Tax	-	1,618	-	1,618
Tax expense for the year	2,816,317	2,403,887	1,109,847	1,258,698

The Group has unabsorbed reinvestment allowance of approximately RMNil (2003 - RM5,451,000) available for set off against future taxable profits of a subsidiary company.

21. Earnings Per Share

The earnings per share has been calculated based on the Group's profit after taxation and minority interest of RM17,090,627 (2003 - RM5,282,788) and on the number of ordinary shares of 70,194,275 (2003 - 70,194,275).

22. Dividend

	Group and Company	
	2004 RM	2003 RM
Dividend paid		
Dividend proposed in year 2003, paid in year 2004		
- final 3% less tax at 28%	1,516,205	-
Dividend proposed in year 2002, paid in year 2003		
- final 5% less tax at 28%	-	2,276,571
	1,516,205	2,276,571

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2004, of 3% less 28% taxation on 70,194,275 ordinary shares, amounting to a total dividend of RM1,516,196 (2.16 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2005.



Notes to the Financial Statements - 31 December 2004 (cont'd)

23. Employee Information

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Staff costs (including Directors)				
Employees Provident Fund	212,211	374,220	76,163	57,356
Salaries, wages, bonus, overtime, allowances, annual leave pay and other related expenses	2,291,590	3,051,219	840,262	555,846
Retrenchment cost	-	109,092	-	-
	<u>2,503,801</u>	<u>3,534,531</u>	<u>916,425</u>	<u>613,202</u>
Number of staff as at the end of the financial year	<u>214</u>	<u>393</u>	<u>76</u>	<u>67</u>

Included in staff costs of the Group and of the Company are directors' remuneration amounting to RM777,497 (2003 - RM517,791) and RM341,057 (2003 - RM158,840) respectively as further disclosed in Note 24.

24. Directors' Remuneration

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	634,954	467,001	246,412	141,860
Employees Provident Fund contribution	72,693	50,790	24,795	16,980
Benefits-in-kind	56,000	56,000	-	-
	<u>763,647</u>	<u>573,791</u>	<u>271,207</u>	<u>158,840</u>
Non-Executive:				
Allowance	69,850	-	69,850	-
Total	<u>833,497</u>	<u>573,791</u>	<u>341,057</u>	<u>158,840</u>
Total excluding benefits-in-kind	<u>777,497</u>	<u>517,791</u>	<u>341,057</u>	<u>158,840</u>
Director of the subsidiary companies				
Executive:				
Salaries and other emoluments	167,261	136,664	-	-

The number of directors of the Company whose total remuneration during the financial year fall within the following bands is as follows:

	Company	
	2004 RM	2003 RM
Executive director:		
RM200,001 - RM300,000	-	2
RM300,001 - RM350,000	2	-
Non-Executive directors:		
Below RM50,000	<u>4</u>	<u>-</u>



Notes to the Financial Statements - 31 December 2004

(cont'd)

25. Notes To The Cash Flow Statements

(a) Acquisition of a Subsidiary Company

During the year, the Company acquired Mistral Engineering Sdn Bhd for a cash consideration of RM2. The subsidiary company contributed a net loss of RM1,335 to the consolidated net profit for the year.

The effects of this acquisition on the financial position of the Group as at 31 December 2004 are as follows:

	RM
Cash and bank balances	2
Other payables	(5,168)
	<hr/>
Group's share of net liability	(5,166)
	<hr/>

The fair value of the subsidiary company's assets acquired and liabilities assumed are as follows:

	At effective date of acquisition RM
Cash-in-hand	2
Other payables	(3,833)
	<hr/>
Net liabilities assumed	(3,831)
Goodwill on consolidation (Note 6)	3,833
	<hr/>
Purchase price	2
Cash and cash equivalents of subsidiary companies acquired	(2)
	<hr/>
Cash flow on acquisition net of cash and cash equivalent acquired	-
	<hr/>

(b) Disposal of a Subsidiary Company

During the financial year, the Company disposed of its entire equity interest in the subsidiary company, MHC Kemayan Plantation Sdn Bhd ("MKPSB"), for a cash consideration of RM11,879,379 and repayment of advances given to MKPSB by the Company.

The contribution of the subsidiary company disposed of to the Group's financial results for the year up to date of disposal are as follows:

	2004 RM
Revenue	10,028,770
Profit before taxation	113,727
Net profit for the period	81,883
	<hr/>

The disposal had the following effects on the financial position of the Group as at the end of the year:

	2004 RM
Property, plant and equipment	52,366,960
Inventories	523,353
Tax recoverable	134,234
Cash in hand	360,035
Fixed deposits	47,500
Receivables	155,358
Payables	(49,839,000)
Hire purchase payables	(88,750)
Deferred tax liabilities (Note 15)	(1,964,001)
	<hr/>
Net asset disposed	1,695,689
Total disposal proceeds	11,879,379
	<hr/>
Gain on disposal to the Group	10,183,690
	<hr/>



Notes to the Financial Statements - 31 December 2004 (cont'd)

25. Notes To The Cash Flow Statements (cont'd)

(b) Disposal of a Subsidiary Company (cont'd)

	2004 RM
Cash inflow arising from disposal:	
Cash consideration, representing cash inflow of the Company	11,879,379
Cash and cash equivalents of subsidiary company disposed	(407,535)
	11,471,844
Net cash inflow of the Group	11,471,844

26. Segment Information

Segment information is not presented as the Group operates solely in Malaysia and the combined revenues, operating results and assets employed of business segments other than the plantation segment represents less than 10% of the Group's revenues, operating results and assets employed respectively.

27. Related Party Transactions

Transactions with non-Group members

Non-Group enterprise is considered to be related where the Directors have control over the financial and operating decisions of the enterprise or where the Directors have significant financial interest. Dato Mah King Seng and Dato Mah King Thian, DSSA, AMP, JP are directors/members of the enterprises listed below which had the following transactions with the Group:

Party	Transactions	Amount 2004 RM	Amount outstanding 2004 RM	Amount 2003 RM	Amount outstanding 2003 RM
Rare Properties Sdn Bhd	Purchase of office building	-	-	700,000	700,000
Anson Oil Properties Sdn Bhd	Dividend receivable	225,000	162,000	225,000	178,304
Behrang 2020 Sdn Bhd	Sale of oil palm seedlings	20,000	-	-	-
Dato Mah Pooi Soo Benevolent Fund	Rental payable	-	-	(67,500)	(67,500)
		-	-	(67,500)	(67,500)

Transactions with Directors

The remunerations of the Directors is disclosed in Note 24 to the financial statements and the Corporate Governance Statement.

Transactions with subsidiary companies

Transactions with subsidiary companies are mainly in the normal course of business and advances granted.

Subsidiary	Transactions	Amount 2004 RM	Amount outstanding 2004 RM	Amount 2003 RM	Amount outstanding 2003 RM	
Anson Oil Industries Berhad	- Sale of oil palm fresh fruit bunches	-	} (23,166,444)	295,631	} (24,584,967)	
	- Transport charges receivable	-		75,685		
	- Transport charges payable	-		(23,736)		
	- Interest payable on advances	(38,000)		(38,000)		
	- Sale of oil palm seedlings	34,520		-		
	- Rental payable	-		(900)		
	- Foreman service receivable	43,626	-	-		
Champion Point Sdn Bhd	- Transport charges receivable	5,577	} 3,788,846	4,794	(215,396)	
	- Sale of oil palm seedlings	19,120		-	-	
Majuperak Plantation Sdn Bhd	- Transport charges receivable	-	} 593,399	35,296	(2,457,276)	
	- Foreman service receivable	12,008		-	-	
Yew Lee Holdings Sdn Berhad	- Transport charges receivable	-	} 799,067	13,575	} (3,436,568)	
	- Transport charges payable	-		(15,601)		
	- Foreman service receivable	20,828		-		-
	- Sale of oil palm seedlings	20,200		-		-



Notes to the Financial Statements - 31 December 2004

(cont'd)

27. Related Party Transactions (cont'd)

Subsidiary	Transactions	Amount 2004 RM	Amount outstanding 2004 RM	Amount 2003 RM	Amount outstanding 2003 RM
Sharikat Muzwin Bersaudara Sdn Bhd	- Transport charges receivable	-	-	29,776	(3,420,142)
	- Foreman service receivable	15,522	204,583	-	-
Hutan Melintang Plantations Sdn Bhd	- Transport charges receivable	-	-	29,011	(3,439,854)
	- Foreman service receivable	14,726	280,921	-	-
Ladang MHC-KPD Sdn Bhd	- Manpower secondment receivable	263,647	-	32,103	5,277,429
Ayu Sempurna Sdn Bhd	- Interest income receivable on advances	115,579	16,854,206	-	8,651,349

All transactions above are at mutually agreed terms.

28. Capital Commitment

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Approved but not contracted for	-	760,500	-	126,500

29. Significant Events

- During the financial year, the Company disposed of its entire equity interest in the subsidiary company, MHC Kemayan Plantation Sdn Bhd ("MKPSB"), for a cash consideration of RM11,879,379 and repayment of advances given to MKPSB by the Company.
- During the financial year, the Company acquired 100% equity interest in Mistral Engineering Sdn Bhd, comprising 2 ordinary shares of RM1 each for a cash consideration of RM2.

30. Subsequent Event

Subsequent to the financial year end, the subsidiary company, Yew Lee Holdings Sdn Berhad ("YLHSB"), acquired the entire issued and paid-up share capital of Hutang Melintang Plantations Sdn Berhad ("HMPSB") from its wholly-owned subsidiary company, Great Glory Sdn Bhd for a total consideration of RM6,915,885, resulting in HMPSB becoming a wholly-owned subsidiary company of YLHSB.

31. 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, liquidity and credit risks. The Group operates within clearly defined guidelines approved by the Board and it is the Group's policy not to engage in any speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing assets. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been placed in fixed deposits which yield better returns than cash at bank.



Notes to the Financial Statements - 31 December 2004 (cont'd)

31. Financial Instruments (cont'd)

(c) Foreign Exchange Risk

The Group operates principally in Malaysia and is deemed not materially exposed to any fluctuation in foreign exchange rate.

(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.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is 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.

(f) Fair Values

The carrying amounts of the Group's financial assets and financial liabilities approximate their fair values. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Trade and other receivables/payables

The historical cost carrying amounts of receivables and payables that are subject to normal credit terms approximate fair value. The carrying amounts of other receivables and payables are reasonable estimates of fair value because of their nature and short period to maturity.

(ii) Cash and cash equivalents

The carrying amounts of cash and bank balances and bank overdraft approximate fair values due to the relatively short term nature and maturity of these instruments.

(iii) Borrowings and hire purchase obligations

The carrying amounts of short term borrowings approximate fair value because of the nature and short period to maturity of those instruments. The hire purchase is stated after deducting finance expenses.

(iv) Amounts owing by/to subsidiary companies, amount owing to Directors

It is not practicable to estimate the fair values of the carrying amount of amounts owing by/to subsidiary companies and directors due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs. However, the Company does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

(v) Quoted investments

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.



Statement by Directors

Pursuant To Section 169(15) Of The Companies Act, 1965

We, the undersigned, being two of the Directors of **MHC PLANTATIONS BHD**, do hereby state that in the opinion of the Directors, the accompanying financial statements together with the notes thereto, are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results of the business of the Group and of the Company and of the cash flows of the Group and of the Company for the year then ended.

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

DATO MAH KING SENG

DATO MAH KING THIAN

Ipoh, Perak Darul Ridzuan, Malaysia

Date: 27 April 2005



Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act, 1965

I, **DATO MAH KING THIAN** being the Director primarily responsible for the financial management of **MHC PLANTATIONS BHD**, do solemnly and sincerely declare that the accompanying financial statements together with the notes thereto, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Ipoh in the State of Perak)
Darul Ridzuan on 27 April 2005.)

DATO MAH KING THIAN

Before me,

ABD. RAHIM B. HJ. MAT TAIB

Commissioner for Oaths



Report of The Auditors **to the Members Of MHC Plantations Bhd** **(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 31 to 58. These financial statements are the responsibility of the Company's Directors.

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

We conducted our audit in accordance with 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 MASB 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 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies for 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 auditors' reports of the subsidiary companies for which we have not acted as auditors, as indicated in Note 4 to the financial statements, being financial statements which are included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose 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 subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
(AF: 0039)
Chartered Accountants

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 27 April 2005

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



Statement of Shareholders

STATEMENT OF SHAREHOLDINGS AS AT 11 MAY 2005

Authorised Capital	:	RM100,000,000.00
Issued and Fully Paid-up Capital	:	RM70,194,275.00
Class of Shares	:	Ordinary shares of RM1.00 each fully paid
Voting Rights	:	One vote per RM1.00 share

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Holders	% of Holders	No. of RM1.00 Shares	% of Issued Capital
Less than 100	226	9.37	4,307	0.01
100 – 1,000	136	5.64	71,506	0.10
1,001 – 10,000	1,861	77.12	3,763,629	5.36
10,001 – 100,000	157	6.51	3,781,644	5.39
100,001 – 3,509,712 (*)	31	1.28	21,545,987	30.69
3,509,713 and above (**)	2	0.08	41,027,202	58.45
TOTAL	2,413	100.00	70,194,275	100.00

Note: * - Less than 5% of issued holdings
 ** - 5% and above of issued holdings

THIRTY LARGEST REGISTERED HOLDERS AS AT 11 MAY 2005

Name of Holder	Holdings	% of Issued Capital
1. Dato Mah Pooi Soo Realty Sdn. Bhd.	31,852,485	45.38
2. Mah King Woon Holdings Sdn. Bhd.	9,174,717	13.07
3. Juwitawan Sdn. Bhd.	3,417,690	4.87
4. Tan Lai Kim (Holdings) Sdn. Bhd.	2,433,398	3.47
5. Dato Mah Pooi Soo Realty Sdn. Bhd.	2,220,000	3.16
6. Koperasi Angkatan Tentera Malaysia Berhad	1,702,879	2.42
7. Datin Seri Ooi Ah Thin	1,229,337	1.75
8. Syarikat Majuperak Berhad	1,110,000	1.58
9. HSBC Nominees (Asing) Sdn. Bhd. Dowell Investments Ltd	980,130	1.40
10. Syarikat Majuperak Berhad	832,500	1.19
11. Tan Lai Kim (Holdings) Sdn. Bhd.	798,079	1.14
12. HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Cheah Chee Choong	750,000	1.07
13. Low Pak Seng	555,000	0.79
14. Perbadanan Nasional Berhad	531,690	0.76
15. Utama Dot Com Sdn. Bhd.	497,000	0.71
16. City Handsome Industries Sdn. Bhd.	490,050	0.70
17. Affin Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Rovent Sdn. Bhd.	477,022	0.68
18. Perbadanan Nasional Berhad	453,990	0.65
19. Lim Chiang Hang	380,357	0.54
20. Lembaga Tabung Angkatan Tentera	363,900	0.52
21. Yayasan Perak	333,000	0.47
22. Koperasi Peserta-Peserta Rancangan Felcra Seberang Perak Bhd.	266,930	0.38
23. T.O. Lim Holdings Sdn. Bhd.	235,000	0.33
24. HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mah Siew Seong	230,820	0.33
25. Chang Meng Keng	159,840	0.23
26. Lim Tock Ooi	158,053	0.23
27. Vensta Co Sdn. Bhd.	155,400	0.22
28. Mayban Nominees (Tempatan) Sdn. Bhd. JMF Asset Management Sdn. Bhd. for Zalaraz Sdn. Bhd.	151,099	0.21
29. HDM Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Cecilia Chia Hyau Lian	150,000	0.21
30. Tan Sri Dato' Dr. Tan Lai Kim, PSM, DPMS	140,770	0.20
TOTAL	62,231,136	88.66



Statement of Shareholders

(cont'd)

SUBSTANTIAL SHAREHOLDERS AS AT 11 MAY 2005

According to the Register of Substantial Shareholders required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

Name of Substantial Shareholder	Direct Interest (A)	%	Deemed Interest (B)	%	Total Interest (A+B)	%
Amsenbina Sdn. Bhd.	-	-	9,174,717	13.07	9,174,717	13.07
Dato Mah Pooi Soo Realty Sdn. Bhd.	34,072,485	48.54	-	-	34,072,485	48.54
Hooi Yoke Lin	-	-	9,174,717	13.07	9,174,717	13.07
Hooi Yoke Lin (as trustee for Mah Li-Jeen)	-	-	9,174,717	13.07	9,174,717	13.07
Dato Mah King Seng	121,153	0.17	34,072,485	48.54	34,193,638	48.71
Dato Mah King Thian	33,303	0.05	34,072,485	48.54	34,105,788	48.59
Mah King Woon Holdings Sdn. Bhd.	9,174,717	13.07	-	-	9,174,717	13.07
Dato Mah Siew Keong	-	-	9,174,717	13.07	9,174,717	13.07
MSH Sdn. Bhd.	-	-	9,174,717	13.07	9,174,717	13.07
Mah Siew Chuan	-	-	9,174,717	13.07	9,174,717	13.07
Datin Seri Ooi Ah Thin	1,229,337	1.75	34,072,485	48.54	35,301,822	50.29
S.C. Mah Sdn. Bhd.	-	-	9,174,717	13.07	9,174,717	13.07
S.K. Mah Sdn. Bhd.	-	-	9,174,717	13.07	9,174,717	13.07
Wong Leng Wah	-	-	9,174,717	13.07	9,174,717	13.07

DIRECTORS' INTEREST AS AT 11 MAY 2005

According to the Register of Directors' Shareholdings required to be kept under Section 134 of the Companies Act, 1965 the Directors' interests in the ordinary share capital of RM1 each of the Company and its subsidiary companies are as follows:

MHC PLANTATIONS BHD.

Name of Director	Direct Interest (A)	%	Deemed Interest (B)	%	Total Interest (A+B)	%
Aznam bin Mansor	7,770	0.01	497,000	0.71	504,770	0.72
Dato Mah King Seng	121,153	0.17	34,072,485	48.54	34,193,638	48.71
Dato Mah King Thian	33,303	0.05	34,072,485	48.54	34,105,788	48.59
Mah Siew Hoe	7,773	0.01	-	-	7,773	0.01
Koay Say Loke Andrew	11,100	0.02	-	-	11,100	0.02
Azizah binti Kassim	7,770	0.01	-	-	7,770	0.01

Subsidiary company

CHAMPION POINT SDN. BHD.

Name of Director	Direct Interest (A)	%	Deemed Interest (B)	%	Total Interest (A+B)	%
Dato Mah King Seng ^	-	-	99,998	5.00	99,998	5.00
Dato Mah King Thian ^	1	0.00	99,998	5.00	99,999	5.00

^ By virtue of shares held by Rare Properties Sdn. Bhd.

By virtue of their interests in the Company, Dato Mah King Seng and Dato Mah King Thian are deemed to be interested in shares in the subsidiary companies to the extent that the Company has an interest.

None of the other Directors had any interest in shares in the Company's related corporations.

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Proxy Form

I/We, _____

of _____

being a member of MHC Plantations Bhd. hereby appoint +the Chairman of the Meeting _____

of _____

or failing him, _____ of _____

_____ as my/our proxy, to vote for me/us and on my/our behalf at the Forty-Fifth Annual General Meeting of the Company, to be held on Wednesday, 29 June 2005 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:

Resolution No.	Ordinary Business	For	Against
1	To receive the Audited Financial Statements and Reports		
2	Declaration of a First and Final Dividend		
3	Re-election of Director: Dato Mah King Seng		
4	Appointment of Auditors and their remuneration		
5	Special Business		
	Ordinary Resolution - Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965		

Please indicate with (✓) how you wish your vote to be cast.

No. of shares held	
CDS A/C No.	

Date:

Signature of Shareholder

NOTES:

A member entitled to attend and vote at the Meeting is not entitled to appoint more than two proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company. The instrument appointing a proxy must be deposited at the registered office of the Company, 35 Jalan Hussein, 30250 Ipoh not less than forty-eight (48) hours before the time for holding the Meeting.

+If it is desired to appoint another person as a proxy, the words "the Chairman of the Meeting" should be deleted and the name of the proxy should be inserted in block capitals, and the alteration should be initialled.

Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If this Form is signed and returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

In the case of a corporation, the proxy must be executed under its Common Seal, or under the hand of a duly authorised officer.



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Stamp

The Secretary



MHC Plantations Bhd 4060-V

NO. 35, JALAN HUSSEIN,
30250 IPOH, PERAK DARUL RIDZUAN,
MALAYSIA.

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Borang Proksi

Saya/Kami, _____

beralamat _____

sebagai ahli MHC Plantations Bhd. dengan ini melantik +Pengerusi Mesyuarat _____

beralamat _____

atau, jika beliau tidak dapat hadir, _____ beralamat _____

_____ sebagai proksi saya/kami untuk mengundi bagi saya/kami dan sebagai pihak saya/kami di Mesyuarat Agung Tahunan Syarikat yang ke-45 yang diadakan pada hari Rabu, 29 Jun 2005 dan pada sebarang penangguhan dengan cara seperti yang ditunjukkan di bawah ini berkenaan Resolusi-resolusi di bawah:-

No. Resolusi	Urusan Biasa	Menyokong	Menentang
1	Meluluskan Laporan dan Penyata Kewangan yang telah diaudit		
2	Pengisytiharan Dividen yang Pertama dan Muktamad		
3	Perlantikan semula pengarah: Dato Mah King Seng		
4	Perlantikan Juruaudit dan penetapan bayaran mereka		
5	Urusan Khas		
	Resolusi Biasa - Kuasa untuk memperuntukkan dan menerbitkan Saham mengikut Seksyen 132D, Akta Syarikat 1965		

Sila tandakan (✓) dalam ruang yang anda hendak mengundi.

Bilangan Saham dipegang	
CDS A/C No.	

Tarikh:

Tandatangan Pemegang Saham

NOTA-NOTA:

Seorang ahli yang berhak hadir dan mengundi dalam Mesyuarat tidak berhak melantik lebih daripada dua orang proksi untuk hadir dan mengundi bagi pihak dirinya. Seorang proksi boleh jadi tetapi tidak semestinya seorang ahli Syarikat. Surat perlantikan proksi mestilah diserahkan kepada pejabat berdaftar Syarikat tidak kurang daripada empat puluh lapan (48) jam sebelum waktu yang ditetapkan untuk Mesyuarat.

+Jika ingin melantik seorang yang lain menjadi proksi, perkataan-perkataan "Pengerusi Mesyuarat" harus dipotong dan dimasukkan nama proksi itu dengan huruf besar dan perubahan ini mesti diparapi.

Sekiranya seorang ahli melantik dua orang proksi, perlantikan beliau menjadi tak sah kecuali beliau menetapkan bahagian saham yang diwakili oleh setiap orang proksi.

Jika Borang ini yang telah ditandatangani dan dikembalikan tanpa memberi arahan kepada orang yang dilantik tentang cara mengundi, proksi yang dilantik akan menggunakan budi bicara sendiri untuk mengundi atau tidak mengundi.

Bagi sebuah badan korporat, borang proksi ini mestilah dimeterai atau ditandatangani oleh seorang pegawai yang diberi kuasa.



2. Lipat di sini

Stem

Setiausaha



MHC Plantations Bhd 4060-V

NO. 35, JALAN HUSSEIN,
30250 IPOH, PERAK DARUL RIDZUAN,
MALAYSIA.

1. Lipat di sini