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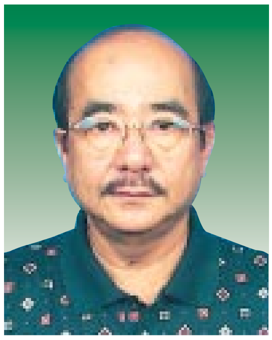
JIN LIN WOOD INDUSTRIES BERHAD (JLWIB)

Board of Directors

Dato' Dr Hj Sallehuddin Bin Kassim
Independent Non-Executive Chairman

Ko Kung Hai
Managing Director

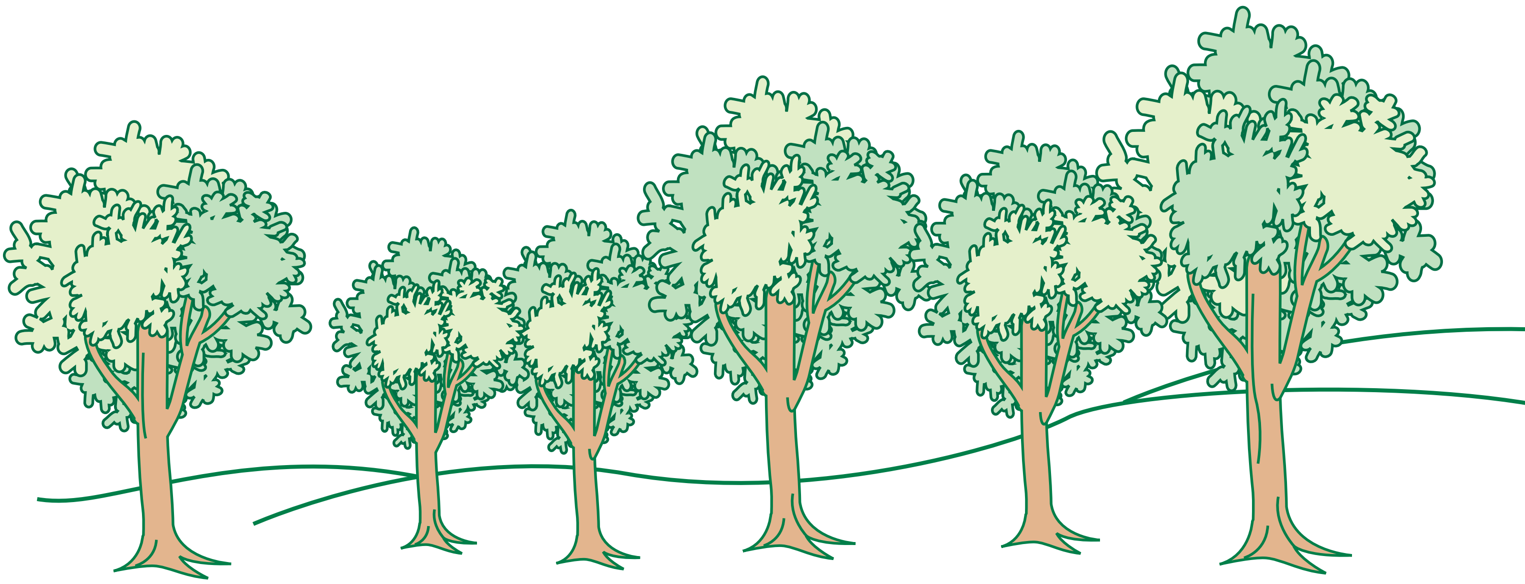


Cheng Yang Poh
Executive Director

Ngui Ing Ing
Independent Non-Executive Director

Kang Ching Hong
Non-Independent Non-Executive Director

Lim Chin Aik
Non-Independent Non-Executive Director



Board of Directors' Profile

Dato' Dr Hj Sallehuddin Bin Kassim, aged 53, Malaysian, Independent Non-Executive Director, was appointed as a Director and Chairman of JLWIB on 31 May 2004 and is the Chairman of the Nomination Committee and Remuneration Committee of JLWIB. He is also a member of the Audit Committee. He is currently the Chairman and Independent Non-Executive Director of Kelanamas Industries Berhad, appointed on 16 August 1995 and 1 July 1994 respectively. He is also the Chairman of the Audit Committee of Kelanamas Industries Berhad. He is the holder of Bachelor of Engineering (Mechanical) and Master in Business Administration (MBA) from Monash University, Melbourne, Australia and Doctor of Philosophy (PhD) from Pacific Western University, Los Angeles. Other than the above, Dato' Dr Hj Sallehuddin is also a Director of Promet Berhad, Bukit Katil Resources Berhad and CMC Power Limited (Australian listed company).

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He does not hold any shares in JLWIB and its subsidiary companies. As his appointment as Director was on 31 May 2004, he did not attend any Board meeting held during the financial year ended 30 June 2003.

Ko Kung Hai, aged 48, Malaysian, was appointed as a Director and the Managing Director of JLWIB on 19 January 2000. He is one of the founders of the JLWIB Group. He has more than 20 years experience in the timber industry. He started his involvement in timber industry in 1980 where he joined Linsen Shipping & Trading Sdn Bhd, which was involved in the provision of barges for transportation of logs and log marketing, as a Shipping Executive. With his extensive knowledge and experience as well as his entrepreneurial leadership, he transformed the Group's timber business from a small company providing barges and tugboats services to logging companies into a fully integrated timber company involved in both upstream and downstream timber processing activities. His main responsibilities include the overall supervision of JLWIB's Group operations. He also sits on the Board of several other private companies. He is a Member of the Bintulu Chinese Chamber of Commerce, Bintulu Foochow Association and Wong Nai Siong School Alumnae Association. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He holds 1,510,000 ordinary shares of RM1.00 each in JLWIB but does not hold any shares in the subsidiary companies of JLWIB. He attended 7 out of 7 Board meetings held during the financial year ended 30 June 2003.

Cheng Yang Poh, aged 59, Malaysian, was appointed as an Executive Director of JLWIB on 22 August 2002. He has more than 25 years experience in the timber industry especially in the area of forestry, wood processing and trading. He started his career as a Manager with Asia Commercial Finance in 1968. From 1970 to 2002, he has been involved with the timber industry in Jambi, Kalimantan, Irian Jaya, Africa and the Solomon Islands. He graduated from Ngee Ann College, Singapore and he is currently the Vice President of the Asia Chinese Writer's Foundation and a member of the World Chinese Writer's Association. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He does not hold any shares in JLWIB and its subsidiary companies. He attended 7 out of 7 Board meetings held during the financial year ended 30 June 2003.

Board of Directors' Profile

Ngui Ing Ing, aged 40, Malaysian, Independent Non-Executive Director, was appointed as a Director of JLWIB on 22 August 2002 and is the Chairperson of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. She started her career as an Accounts Clerk in 1984 and in 1987 ventured into her own business in trading. She is currently a Director of Jurawood Sdn Bhd which is involved in construction and development. She is actively involved in Junior Chamber Malaysia where she was awarded Outstanding Chapter President 1977 and Outstanding Leader of Asia Pacific 2001. She was the Junior Chamber Malaysia National President in 2001 and the Vice-President of Junior Chamber International in 2002. She is currently a Director of The Crocodile Foundation Limited and JCM Development Berhad. She holds no other Directorships in public companies in Malaysia.

She has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. She holds 22,000 ordinary shares of RM1.00 each in JLWIB but does not hold any shares in the subsidiary companies of JLWIB. She attended 5 out of 7 Board meetings held during the financial year ended 30 June 2003.

Kang Ching Hong, aged 36, Malaysian, Non-Independent Non-Executive Director, was appointed as a Director of JLWIB on 29 January 2004 and is a member of the Audit Committee. He is a Certified Public Accountant and a member of Malaysian Institute of Accountants. He has more than 15 years experience in audit, accounting, management and corporate finance.

He sits on the Board of Directors of several non-listed company as adviser and consultant. He was an auditor with KPMG, and held senior corporate planning and services position in public listed companies namely Arab Malaysian Corporation Berhad. Other than JLWIB, he is a Director of RNC Corporation Berhad, a public company listed on Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He does not hold any shares in JLWIB and its subsidiary companies. As his appointment as Director was on 29 January 2004, he did not attend any Board meeting held during the financial year ended 30 June 2003

Lim Chin Aik, aged 35, Malaysian, Non-Independent Non-Executive Director, was appointed as a Director of JLWIB on 29 January 2004 and is a member of the Nomination Committee and Remuneration Committee. He has more than 12 years of experience in corporate finance, treasury and banking and administration and human resource matters.

He started his career in accountancy as an auditor in an audit firm. He has worked with a couple of public listed companies. Currently, he is an Associate Director of Asiasons Corporate Services Sdn Bhd. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of JLWIB, no conflict of interest with JLWIB and has never been charged for any offence within the past 10 years. He does not hold any shares in JLWIB and its subsidiary companies. As his appointment as Director was on 29 January 2004, he did not attend any Board meeting held during the financial year ended 30 June 2003.

Chairman's Statement

Three main global events, the Iraq war, the SARS virus and the sluggish EU economy, have over taken the anticipated recovery in the timber industry. Against this backdrop, on behalf of the Board of Directors, I am pleased to present to you Jin Lin Wood Industries Berhad's Annual Report and the Financial Statements of the Group and the Company for the financial year ended 30 June 2003

Financial Performance

The much anticipated recovery in the timber industry failed to materialize in the financial year ending 30 June 2003 due to the combined effects of a sluggish EU economy, the disastrous war waged on Iraq and the SARS virus which almost brought the asian economies to a standstill.

Compounding the global effects was the fact that the Group had to operate in an environment without the benefits of any trade facilities as these facilities had all been withdrawn pending the completion of the ongoing restructuring exercise.

The result was that revenue for the Jin Lin Group was further reduced by 39% year-on-year to RM14.79 million from an already 3 year low of RM24.18 million in the preceding year. Losses for the year was RM25.44 million compared to RM38.98 million in FY 2002 due very much to the low utilization of capacity as well as a RM7.7 million provision for doubtful debts. The end result is a reduction of shareholder's equity to RM13.47 million from RM33.41 million in the previous year and a corresponding NTA per share of 30.1 sen from 75.9 sen in the previous year.

Developments

Following these developments in the timber industry as well as the very much deteriorated financial position of the Jin Lin Group, the Board of Directors has deliberated and reflected long and hard on the direction to embark on which would best serve the interest of shareholders and the other stakeholders.

On the one hand, there was the option to implement a restructuring scheme which the Management had been working on throughout most of the financial year, which would effectively result in a terming out of all existing Financial Institutional liabilities over a longer period and allow the Management the necessary time to turn around the Group's operations and essentially be able to match the principal repayments from operational cash flow over time. However, in the complete absence of any kind of trade facilities as well as credit from existing suppliers, the Management's evaluation is that such a restructuring would merely prolong the inevitable default in loan repayments and cash inflows may very well be unable to meet the restructured future cash outflows.

In order to avoid the risk of another default in loan repayment, the Board has therefore taken a very painful but necessary decision to embark on a Proposed Restructuring Scheme that will result in Jin Lin changing its core business to one that is more viable and sustainable in the long term. This was announced on 9 February 2004 by our financial advisors.

Regretfully, this exercise necessitates a proposed capital reduction which is essential to be able to negotiate the necessary proposed scheme of arrangement with the scheme creditors within the JinLin Group. While not desirable, the Board is of the opinion that this is the optimal route of recovery for the shareholders. The proposed capital reduction will also more accurately reflect the deteriorating NTA per share of the Group.

The silver lining though is that the proposed acquisition of the new business, Syarikat Bukit Granite Group ("SBG Group"), will result in Jin Lin shareholders being part of a very profitable enterprise that is engaged in the trading and processing of granite and marble. The business will be a huge beneficiary of what is probably the main engine of growth for the entire world economy – China. SBG's investment in Shanghai will position it as one of the more profitable granite/marble processing companies in the region and a healthy annual rate of growth is expected over the next few years for the group. The Proposed Restructuring Scheme also contemplates a Proposed Restricted Offer which offers existing shareholders of Jin Lin the opportunity to further participate in the future growth of the new core business.

Acknowledgement

On behalf of the Board of Directors, I would like to extend my sincere appreciation to the directors that have served the Board tirelessly in its efforts to restructure the Group. In particular, I would like to thank Encik Mohd Badaruddin and YBHG Dato' Hassan Bin Mohamad Salleh who have resigned from the Board and welcome Mr Kang Ching Hong and Mr Lim Chin Aik, both of whom have corporate finance experience and will be able to contribute to the ongoing restructuring exercise of the Group. Not to be left out are the Management and employees of the Group who have continued to give their best efforts during this trying period. Lastly, our gratitude is extended to our shareholders and the relevant authorities for their continued support in the Group.

Statement of Corporate Governance

The Code
The Malaysian Code on Corporate Governance ("the Code") sets out the Principles of Corporate Governance and the Best Practices on Corporate Governance for listed companies. The Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") requires a listed company to include a statement on how they have applied the Principles and the extent of compliance with the Best Practices of the Code.

The Board of Directors of JLWIB is pleased to report on the application of the Principles and extent of compliance with the Best Practices of the Code in this Statement based on the commitment to ensure that a high standard of Corporate Governance is practised throughout the JLWIB Group.

The Board of Directors
The Board retains full control of the Company's management. Their key responsibilities are inter-alia reviewing and adopting Management's strategic plans, overseeing the conduct of the business to ensure it is properly managed, identifying business risks and its management, enhancing shareholders communication and ensuring the integrity of the internal control systems of the Company. This requires them to meet on a regular basis of at least five (5) times a year, with additional meetings convened as necessary.

During the financial year ended 30 June 2003, seven (7) Board meetings were held. The records of attendance of each Director at the Board meetings are set out in the Statement Accompanying the Notice of the Fifth Annual General Meeting. Special Board meetings were convened on an ad-hoc basis to review matters that require the Board's urgent decision.

The Board has delegated specific responsibilities to three (3) sub-committees (Audit, Nomination and Remuneration Committees) the details of which are set out below. These committees have the authority to examine particular issues and report back to the Board with their recommendation. The ultimate responsibilities for the final decision on all matters, however, lies with the entire Board.

Board balance
The Board currently has six (6) members, comprising two (2) independent non-executive Directors (including the Chairman), two (2) non-independent non-executive Directors and two (2) Executive Directors. There is thus a balance in the Board because of the presence of independent non-executive Directors of the calibre necessary to carry sufficient weight in Board decisions.

Although all the Directors have equal responsibility for the Company's operations, the role of the independent non-executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined to ensure that the strategies are in the long-term interests of the Company.

There is also a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority.

Ms Ngui Ing Ing acts as the Senior Independent Non-Executive Director. Any concerns concerning the Group may be conveyed to her.

Supply of information
The agenda for each Board meeting, together with a detailed Board report are forwarded to each Director for their perusal and consideration prior to the Board meeting.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, changes to management and control structure of the Group, including key policies, procedures and authority limits.

The Directors have access to information within the Group on a timely basis and may obtain independent professional advice, at the Company's expense in the furtherance of their duties.

The Directors are regularly updated by the Company Secretary on new statutory and regulatory requirements relating to the duties and responsibilities of the Directors. Every Director has access to the advice and services of the Company Secretary.

Statement of Corporate Governance

Appointments to the Board
The Code endorses as good practice, a formal procedure for appointments to the Board, with a nomination committee making recommendations to the Board. The Nomination Committee was set up on 19 October 2001.

Committees of the Board

Nomination Committee

The Nomination Committee is made up entirely of non-executive Directors, of whom a majority is Independent Directors.

The objective of the Nomination Committee is to ensure that the Directors bring characteristics to the Board, which provide a required mix of responsibilities, skills and experience. The Nomination Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of non-executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member.

The Nomination Committee shall meet at least once a year. During the financial year ended 30 June 2003, two (2) Nomination Committee meetings were held. The details of the composition of the Committee and their attendance at the Committee meetings are set out below:-

Name	Position	Attendance
Dato' Dr Hj Sallehuddin Bin Kassim *(appointed as Chairman and member on 31 May 2004)*	Chairman (Independent Non-Executive Director)	-
Maj Gen (Rtd) Dato' Hj Hassan Bin Hj Mohamad Salleh *(appointed as member and Chairman on 22 August 2002 and 30 October 2002 respectively)* *(resigned as Chairman and member on 31 May 2004)*	Chairman (Independent Non-Executive Director)	1/2
Ngui Ing Ing *(appointed as member on 25 August 2003)*	Member (Independent Non-Executive Director)	-
Lim Chin Aik *(appointed as member on 5 February 2004)*	Member (Non-Independent Non-Executive Director)	-
David Sengalang Anak Uyang *(resigned as Chairman and member on 30 October 2002 and 25 August 2003 respectively)*	Member (Independent Non-Executive Director)	2/2
Mohd Shukri bin Mohd Yunus *(resigned as member on 24 February 2003)*	Member (Independent Non-Executive Director)	2/2

Remuneration Committee
The Remuneration Committee of JLWIB was set up on 19 October 2001.

The Remuneration Committee is made up entirely of non-executive Directors, of whom a majority is Independent Directors.

The objective of the Remuneration Committee is to set the policy framework and to make recommendations to the Board of Directors on all elements of the remuneration, terms of employment, reward structure and fringe benefits for Managing Director, Executive Directors, the Chief Executive Officers and other selected top management positions with the aim to attract, retain, and motivate individuals of the highest quality.

Statement of Corporate Governance

The Remuneration Committee shall meet at least once a year. During the financial year ended 30 June 2003, one (1) meeting was held. The details of the composition of the Committee and their attendance at the Committee meeting are set out below:-

Name	**Position**	**Attendance**
Dato' Dr Hj Sallehuddin Bin Kassim *(appointed as Chairman and member on 31 May 2004)*	Chairman (Independent Non-Executive Director)	-
Maj Gen (Rtd) Dato' Hj Hassan Bin Hj Mohamad Salleh *(appointed as member and Chairman on 22 August 2002 and 30 October 2002 respectively)* *(resigned as Chairman and member on 31 May 2004)*	Chairman (Independent Non-Executive Director)	1/1
Ngui Ing Ing *(appointed as member on 25 August 2003)*	Member (Independent Non-Executive Director)	-
Lim Chin Aik *(appointed as member on 5 February 2004)*	Member (Non-Independent Non-Executive Director)	-
David Sengalang Anak Uyang *(resigned as Chairman and member on 30 October 2002 and 25 August 2003 respectively)*	Member (Independent Non-Executive Director)	1/1
Mohd Shukri bin Mohd Yunus *(resigned as member on 24 February 2003)*	Member (Independent Non-Executive Director)	1/1

Audit Committee

The Audit Committee reviews issues of accounting policy and presentation of external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the auditors. The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee.

The details of the composition, terms of reference and the attendance of each member of Audit Committee are set out in the Audit Committee Report of this Annual Report.

Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by shareholders at the Annual General Meeting subsequent to their appointment. The Articles also provide that at least one third of the remaining Directors, including the Managing Director, are subject to re-election by rotation at every Annual General Meeting at least once in every three (3) years.

Director's Remuneration

The Remuneration Committee recommends to the Board the framework of executive remuneration, its costs, and the remuneration package for each Executive Director. Nevertheless, it is the ultimate responsibility of the entire Board to approve the remuneration of these Directors. The remuneration of the non-executive Directors is to be decided by the Board as a whole. The Company reimburses any reasonable expense incurred by these Directors in the course of their duties as directors.

Dialogue between companies and investors and the Annual General Meeting

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive Directors and where appropriate Chairman of the Audit, Nomination and Remuneration Committees are available to respond to shareholders' questions during the meeting.

Statement of Corporate Governance

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The notice convening such meetings are sent to shareholders at least fourteen (14) days before the shareholders' meeting in the case of an ordinary resolution and twenty one (21) days in the case of a special resolution or Annual General Meeting. The shareholders are also kept informed of the Group's financial results and corporate developments through public announcement made to Bursa Malaysia.

Financial reporting
In presenting the annual financial statements and quarterly announcements of results to shareholders, the Directors aim to present a balanced and understandable assessment of the Company's and Group's position and performance. The Directors consider that in preparing the financial statements, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. All accounting standards which the Board considers to be applicable have been followed, subject to any explanations and material departures, if any, disclosed in the notes to the financial statements. The Audit Committee assists to ensure that the accuracy, adequacy and completeness of the information to be disclosed.

Internal control
The Directors acknowledge their overall responsibility for the Group's system of internal control over both the financial and the non-financial aspects of the Group's activities. A statement on internal control is set out in the Annual Report.

Relationship with the Auditors
Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Company's external auditors. The specific role of the Audit Committee in relation to the external auditors is stated in the Audit Committee Report.

Statement of Internal Control

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a system of internal control to protect shareholders' interests and the Group's assets. The Bursa Malaysia Securities Berhad's Listing Requirements require Directors of listed companies to include a statement in its annual report on the state of their internal controls. Bursa Malaysia Securities Berhad's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance"), provides guidelines for compliance with these requirements.

The Board of Directors set out below the Statement on Internal Control of the Group accordingly;

Responsibility

The Board of Directors of JLWIB acknowledges its responsibility for the Group's system of internal controls and the need to review its adequacy and integrity. The internal controls are aimed at ensuring that risks facing the Group's businesses are identified and managed at acceptable levels in pursuit of its objectives. As with any control systems, it can only provide reasonable but not absolute certainty against material misstatements or loss, as it is designed to manage rather than eliminate the risks of failure to achieve its objectives.

The key elements

- A budgeting process is conducted by operating units who prepare the operating budgets for the coming year which are presented to the Board of Directors for approval.
- Comprehensive financial information is provided to the members of the Board on a monthly basis, showing actual results against budget for the month and year-to-date with projections for the financial year updated on a regular basis.
- Internal audits are carried out which has its aims to monitor compliance, procedures and assess the integrity of financial and non-financial information provided.

On-going and periodical reviews are undertaken by the Board in relation to the key commercial and financial risks faced and encountered by the Group's businesses together with more general risks such as those relating to compliance with laws and regulations. The monitoring arrangements in place give reasonable assurance that there is an acceptable level of risk throughout the Group's business.

The Board is pleased to disclose that;

- There is a process to identify, evaluate and manage significant risks faced by the Group, throughout the financial year;
- The process is reviewed regularly and conforms to the Statement on Internal Control Guidance; and
- On-going improvements to the system is being planned and implemented.

No consequential material weaknesses were identified during the year under review and to the date of approval of the annual report and financial statements.

Audit Committee Report

The Board of Directors of JLWIB is pleased to present the report of the Audit Committee of the Company for the financial year ended 30 June 2003.

MEMBERSHIP AND MEETINGS

The Audit Committee comprise the Directors listed below. The Committee shall meet at least four (4) times a year although such additional meetings may be called at any time at the discretion of the Chairman. During the financial year ended 30 June 2003, the Committee had a total of five (5) meetings. The attendance of each member of the Audit Committee are set out below:-

Name	Position	Attendance
Ngui Ing Ing *(appointed as Chairperson on 5 February 2004 and member on 25 August 2003)*	Independent Non-Executive Director	-
Dato' Dr Hj Sallehuddin Bin Kassim *(appointed as member on 31 May 2004)*	Independent Non-Executive Director	-
Kang Ching Hong# *(appointed as member on 5 February 2004)*	Non-Independent Non-Executive Director	-
Dato' Hassan bin Mohamad Salleh *(appointed as member on 5 February 2004 and resigned as member on 31 May 2004)*	Independent Non-Executive Director	-
Mohd Badaruddin bin Masodi* *(appointed as Chairman and member on 24 February 2003)* *(resigned as Chairman and member on 5 February 2004)*	Independent Non-Executive Director	1/5
Mohd Shukri Bin Mohd Yunus++ *(resigned as Chairman and member on 24 February 2003)*	Independent Non-Executive Director	4/5
Ko Kung Hai *(resigned as member on 5 February 2004)*	Managing Director	5/5
David Sengalang Anak Uyang *(resigned as member on 25 August 2003)*	Independent Non-Executive Director	5/5

A member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants
* A member of Malaysian Institute of Accountants
++ A member of the Institute of Cost and Management Accountants (United Kingdom) and has more than 3 years relevant working experience.

Secretary of the Audit Committee

– Gwee Ooi Teng

Meetings

The Audit Committee meets at least four (4) times a year although such additional meetings may be called at any time at the discretion of the Chairman.

Audit Committee Report

The quorum for meetings of Audit Committee shall be three (3) members and the majority of the members present shall be independent Directors.

The internal and/or external auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required by the Committee. Upon the request of the auditor(s), the Chairman of the Audit Committee shall also convene a meeting of the Committee to consider any matters the internal and/or external auditors believe should be brought to the attention of the Audit Committee or the Board of Directors or the Shareholders.

The Audit Committee may obtain external advice and invite outsiders with relevant experience to attend any meeting of the Audit Committee, if necessary.

In the event a meeting of the Audit Committee could not be held, a resolution passed by all members of the Audit Committee shall be valid and effectual.

AUTHORITY

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. The Committee is also authorized to obtain external legal or other independent professional advice as necessary.

Notwithstanding anything to the contrary herein, the Committee does not have executive powers and shall report to the Board of Directors on all matters recommended by the Committee pertaining to the Company and the Group.

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:-

Duties and Responsibilities

The duties and responsibilities of the Audit Committee include the following:

a. Oversee all matters relating to external audit including the review of the audit plan and audit report and review of external auditors' management letter and management's responses.
b. Oversee the internal audit functions including the evaluation of the standards of internal control and financial reporting, review of internal audit plan, adequacy of the scope, functions, authority and resources of the internal audit department and audit findings and management's responses.
c. Review of the quarterly results and annual financial statements, focusing particularly on:
   - any changes in accounting policies and practices;
   - significant adjustments arising from the audit;
   - the going concern assumption;
   - compliance with accounting standards and other legal and regulatory requirements.
d. Review of the assistance and co-operation given by the Company's officers to the external and internal auditors.
e. Review any related party transaction that may arise within the Company or the Group.
f. Nominate the external auditors for appointment, review any letter of resignation from the externalauditors and proposal for re-appointment of external auditors.
g. Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended 30 June 2003 in the discharge of its functions and duties:

a. Review of the audit reports for the Company and the Group prepared by the external and internal auditors and considered the major findings by the auditors and Management's responses thereto;
b. Review of the quarterly results and annual report of the Company and the Group and thereafter submit them to the Board for consideration and approval;
c. Review of findings of investigations conducted during the year and Management's responses thereto.

Audit Committee Report

INTERNAL AUDIT FUNCTIONS

The Company and the Group does not have its own in-house internal audit function. The services of an independent professional services firm was engaged during the financial year under review to undertake the necessary activities to enable the Committee to discharge its functions effectively. The services rendered and activities undertaken by Internal Auditors included the regular and systematic reviews of the systems of financial and operations controls so as to provide reasonable assurance that the systems continue to operate satisfactorily and effectively. The attainment of such objectives involves the following activities being carried out by the Internal Auditors:

a. Review and appraise the soundness, adequacy and application of accounting, financial and other controls and promoting effective control in the Company and the Group;
b. Ascertain the extent of compliance with established policies, procedures and statutory requirements;
c. Ascertain the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
d. Appraise the reliability and usefulness of information developed within the Company and the Group for management;
e. Recommend improvements to the existing systems of controls;
f. Carry out investigations and special reviews requested by Management and/or the Audit Committee of the Company.

During the year ended 30 June 2003, the Internal Auditors have carried out various reviews and have presented the audit plan based on its review of the operations of the Company and the Group and audit reports on its findings to the Audit Committee. The findings and recommendations thereof have been discussed with the Management and the Audit Committee. Based on the said discussions, the Management has undertaken various steps to implement the recommendations of the Internal Auditors.

Statement of Directors' Responsibility in Relation to the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors consider that:-

- appropriate accounting policies are consistently used and applied in the JLWIB Group;
- reasonable and prudent judgements as well as estimates were made; and
- all applicable approved accounting standards have been followed.

The Company has maintained accounting records that disclose with reasonable accuracy the financial position of the JLWIB Group and the Company for which the Directors are responsible and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

Reasonable available steps have been undertaken by the Directors to safeguard the assets of the JLWIB Group and to prevent and detect fraud and other irregularities.

The Directors have provided the Auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered appropriate for the purpose of enabling them to give their audit report on the financial statements.

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30th June 2003.

Principal activities

The principal activities of the Company are those of investment holding and the provision of management services to companies in the Group. The principal activities of the subsidiary companies are set out in Note 2 to the financial statements.

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

Results

	Group RM	Company RM
Loss for the year	(25,442,803)	(65,860,555)
	===========	===========

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Reserves and provisions

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

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:

YBHG Dato' Hassan Bin Mohamad Salleh	(Chairman)
Ko Kung Hai	(Managing Director)
Cheng Yang Poh	(Executive Director)
Kang Ching Hong	(Appointed on 29th January 2004)
Lim Chin Aik	(Appointed on 29th January 2004)
Ngui Ing Ing	
Chan Lan Ngai	(Executive Director) (Resigned on 22nd October 2003)
Mohd Badaruddin Bin Masodi	(Appointed on 24th February 2003 and resigned on 5th February 2004)
Mohd Shukri Bin Mohd Yunus	(Resigned on 24th February 2003)
David Sengalang Anak Uyang	(Resigned on 25th August 2003)

Directors' Report

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

Directors' remuneration

The remuneration paid or payable to Executive Directors and Non-executive Directors of the Group and of the Company are disclosed as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Executive Directors				
Other emoluments:				
Salaries	594,000	525,290	198,000	-
Employee Provident Fund and SOCSO	-	16,711	-	-
	594,000	542,001	198,000	-
Bonus	-	33,000	-	-
	594,000	575,001	198,000	-
Non-executive Directors				
Salaries and other emolument	25,000	-	25,000	-
Total	619,000	575,001	223,000	-

Directors' Report

Directors' remuneration (contd.)

The remuneration paid or payable to the Directors of the Group and of the Company are further analysed as follows:

	Number of Directors			
	2003		2002	
Group	Executive	Non-executive	Executive	Non-executive
Bands of remuneration				
RM300,001 – RM350,000	-	-	-	-
RM250,001 – RM300,000	-	-	1	-
RM200,001 – RM250,000	1	-	-	-
RM150,001 – RM200,000	1	-	1	-
RM100,001 – RM150,000	1	-	1	-
RM 50,001 – RM100,000	1	-	-	-
RM1 – RM 50,000	-	1	-	-
RM Nil	-	-	-	4
Company				
Bands of remuneration				
RM250,001 – RM300,000	-	-	-	-
RM200,001 – RM250,000	-	-	-	-
RM150,001 – RM200,000	-	-	-	-
RM100,001 – RM150,000	1	-	-	-
RM 50,001 – RM100,000	1	-	-	-
RM1 – RM 50,000	-	1	-	-
RM Nil	-	-	3	4
	=====	=====	=====	=====

Directors' Report

Directors' interests

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

	Number of ordinary shares of RM1 each			
Name of directors	**1st July**	**Bought**	**Sold**	**30th June**
Direct interest				
David Sengalang Anak Uyang*	11,000	-	-	11,000
Mohd. Shukri Bin Mohd Yunus**	10,000	-	-	10,000
Ko Kung Hai	810,000	700,000	-	1,510,000
Ngui Ing Ing	-	142,000	-	142,000

* Resigned as director on 25th August 2003
**Resigned as director on 24th February 2003

By virtue of the above Directors' interest in shareholdings in the Company, they are deemed to have an interest in the ordinary shares of the subsidiary companies in the Group to the extent of the Company's interest in those subsidiary companies.

None of the other Director 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, any interest in shares in the Company or its related corporations during the financial year.

Significant events

(a) On 27th August 2002, Standard Chartered Bank Malaysia Berhad (SCBMB) served a notice to the Company and one of its subsidiary companies, Jin Lin Trading Sdn. Bhd. (JLT) under Section 218 of Companies Act,1965 demanding the repayment of the judgement sum together with the interest accrued amounting RM 3,065,831. A petition to wind up based on this notice was filed on 20th February 2003 and served on the Company. The hearing of the petition to wind up JLT was fixed on 9th December 2003.

On 15th October 2002, SCBMB issued a notice pursuant to Section 218 of the Companies Act, 1965 on the Company and JLT demanding the judgement sum of RM 2,982,680. SCBMB alleged that this is the sum due as at 15th October 2002.

(b) The Company and one of its subsidiary companies, Syarikat Mustapha and Ngu Timber Sdn. Bhd. (SMNT), were served with the Writ of Summons dated 17th June 2002 in relation to a claim by Bumiputra-Commerce Bank Berhad, a licensed bank, for outstanding amount of RM 23,755,749 plus interest and cost in respect of banking facilities owing by SMNT.

Subsequently, on 1st August 2002, the Company and SMNT were served the Judgement in Default of appearance on 24th July 2002 ordering the Company and SMNT to pay the amount owing to Bumiputra-Commerce Bank Berhad. Judgement was obtained by the bank dated 24th July 2002 ordering the Company and SMNT to pay the claim.

Directors' Report

Significant events (contd.)

(c) On 29th June 2002, SMNT was served with the Writ of summons dated 10th May 2002 in relation to a claim by Arab-Malaysian Finance Berhad for outstanding banking facilities due from SMNT amounting to RM59,531 together with interest at the rate of 18.44% per annum from 5th April 2002 until full payment and cost. Judgement in default was obtained on 25th September 2002.

(d) On 18th July 2002, the Company and SMNT, were served with the Writ of Summons dated 22nd June 2002 in relation to a claim by Affin Bank Berhad for repayment of amounts outstanding in respect of banking facilities due from SMNT amounting RM4,799,354 together with interest at the rate of 9.4% per annum from 7th June 2002 until full payment and costs.

(e) On 18th July 2002, the subsidiary company, Akitiasa Sdn. Bhd. (ATSB) was served with the Originating Summons dated 3rd July 2002 issued by the High Court of Sabah and Sarawak at Bintulu. In the originating summons, Affin Bank Berhad, a licensed bank, sought an Order under Section 148(2) (C) of the Land Code (Cap.81) of Sarawak to sell, by public tender, the land and building of ATSB, which are charged in favour of Affin Bank Berhad for banking facilities granted to a fellow subsidiary company, SMNT, to satisfy the outstanding due from SMNT in the sum of RM4,799,354 together with interest at the rate of 9.4% per annum from 7th June 2002 until full payment pursuant to the Writ of Summons served on SMNT dated 22nd June 2002. The hearing for Order for Sale was fixed on 27th November 2002. An Order for Sale of land was obtained by Affin Bank Berhad on 12nd March 2003.

(f) On 7th October 2002, the Inland Revenue Board issued a notice of civil proceeding against JLT under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM 2,430,700 which have been provided as income tax payable in the financial statements.

(g) SMNT and certain directors of the Company were served with the Writ of Summons dated 14th November 2002 in relation to a claim by HSBC Bank Berhad (HSBC)on packing credit account of RM166,994 and bankers acceptance of RM1,007,230 at a rate of 7.9% and 8.9% respectively until full and final settlement. HSBC filed an application for summary judgement on 2nd April 2003.

(h) JLT and certain directors of the subsidiary companies were served with the Writ of Summons dated 27th August 2003 in relation to a claim by Mulpha International Berhad amounting to RM7,235,233 at a rate of 8% per annum from the date of judgement until full and final payment.

As at the date of this report, there is no further development other than as disclosed above.

Directors' Report

Subsequent events

(1) Proposed Restructuring Scheme

The Company announced on 9th February 2004 that it had entered into a conditional restructuring agreement (Restructuring Agreement) with Seo Aik Leong (SBG Controlling Shareholder) wherein the Company and SBG Controlling Shareholder have agreed to undertake a restructuring scheme with the intention of restoring the Group onto stronger financial footing via injection of new viable business.

The main features of the Proposed Restructuring Scheme (the Scheme) are summarized as follows:

(a) Proposed arrangements with the existing shareholders of the Company:

(i) Proposed reduction of the existing issued and paid-up capital of the Company of RM44,000,000 comprising 44,000,000 ordinary shares of RM1 each to RM8,800,000 comprising 44,000,000 ordinary shares of RM1 each of RM0.20 each;

(ii) Proposed consolidation of the 44,000,000 ordinary shares of RM0.20 each into 8,800,000 shares;

(iii) Proposed cancellation of the entire issued and paid-up capital of the Company of RM8,800,000 comprising 8,800,000 ordinary shares, resulting in a credit reserve of RM8,800,000 arising in the Company's accounts;

(iv) In consideration for the proposed cancellation, a new company (Newco) is to be incorporated to serve as the holding company for the purpose of facilitating the implementation of the Scheme, shall allot and issue to the shareholders 8,800,000 ordinary shares of RM1 each in Newco at par, credited as fully paid on the basis of one Newco Share for every one of the Company's share;

(b) Proposed arrangements with the existing creditors:

(i) Proposed settlement of debts owing to certain creditors of the Company comprising inter-alia, all financial institutions and certain other creditors (Creditors) amounting to RM57 million based on the cut off date of 30th June 2002;

(ii) The waiver by the Creditors of all interest, penalties, costs, fees and other charges accrued after 30th June 2002;

(iii) The release of the contingent liability under the corporate guarantees and other security arrangement provided by the Group;

(iv) A further waiver by the unsecured/partially secured creditors at the rate of at least 50% for every RM1 of all the aggregate debts and liabilities after taking into account paragraph b(i) and b(ii) above;

Directors' Report

Subsequent events (contd.)

(1) Proposed Restructuring Scheme (contd.)

(b) Proposed arrangements with the existing creditors (contd.):

(v) The repayment of debts owing to the secured creditors (after taking into account paragraph b(i) and b(ii) above) from the proceeds of the disposal of certain assets of the Group;

(vi) The issuance of Newco Shares of RM1 each in Newco to the unsecured/partially secured creditors or such persons as they may each nominate in the settlement of debts owing to them (after taking into account paragraph b(i), b(ii) and b(iv) above;

(c) Proposed acquisition by Newco of the entire equity interest in two companies involved in producing marble for a purchase consideration of RM126,000,000 or such amount to be mutually agreed by the parties on a willing buyer-willing seller basis;

(d) Proposed disposal of 100% equity interest in the Company by Newco (after the Proposed Scheme of Arrangement with the Company's shareholders) to purchaser(s) to be identified at a fair value to be determined as soon as it is practicable by an independent valuer and/or auditor;

(e) Proposed transfer of the listing status of the Company on the Second Board of the Malaysia Securities Exchange Berhad (MESB) to Newco.

As at the balance sheet date and at the date of this report, the implementation of the Scheme is pending certain approvals.

(2) Others

(a) On 4th February 2004, the Inland Revenue Board issued a notice of civil proceeding against ATSB under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM41,777.

(b) One of the subsidiary companies, Jin Lin Bio Coal Sdn. Bhd. (JLBC) and JLT were served with the Writ of Summons dated 5th February 2004 in relation to a claim by Orix Credit Malaysia Sdn. Bhd. for hire purchase facilities amounting to RM364,698 at a rate of 0.065% per day on the principal outstanding until full and final settlement.

(c) SMNT was served with the Writ of Summons dated 12th February 2004 in relation to a claim by Mulpha International Berhad amounting to RM817,443 at a rate of 8% per annum until full and final settlement.

Directors' Report

Subsequent events (contd.)

(2) Others (contd.)

(d) SMNT and certain directors of the Company were served with the Writ of Summons dated 21st February 2004 in relation to a claim by RHB Delta Finance Berhad for hire purchase facilities due from SMNT amounting to RM93,637 at a rate of 17.75% per annum until full and final settlement.

(e) The Group was granted a restraining and stay order (RO) for a period of 90 days effective from 3rd March 2004 by the Kuala Lumpur High Court pursuant to Section 176(10) of the Companies Act, 1965.

Other statutory information

(a) Before the income statement and balance sheet of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of an allowance for doubtful debts and satisfied themselves that there were no known bad debts but that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any debts or the amount of the allowance for doubtful debts inadequate to any substantial extent except for debts as disclosed in Notes 14 and 15 to the financial statements;

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

Directors' Report

Other statutory information (contd.)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group or of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year except for those disclosed in Notes 32 and 33 to the financial statements.

(f) (i) As at 30th June 2003, the current liabilities of the Group and of the Company exceeded their current assets by RM 70,375,247 and RM156,306 respectively. In the opinion of the Directors, the Group and the Company will not be able to meet their obligations when they fall due unless the Group's Proposed Restructuring Scheme as disclosed in Note 33 to the financial statements is successful implemented; and

(ii) In the opinion of the directors, 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 and of the Company for the financial year in which this report in made.

Directors' Report

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

YBHG Dato' Hassan Bin Mohamad Salleh
Director

Ko Kung Hai
Director

Kuala Lumpur

Date: 29th Mar 2004

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

We, **YBHG Dato' Hassan Bin Mohamad Salleh** and **Ko Kung Hai**, being two of the directors of **Jin Lin Wood Industries Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 57 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30th June 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

YBHG Dato' Hassan Bin Mohamad Salleh
Director

Ko Kung Hai
Director

Kuala Lumpur

Date: 29th March 2004

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

I, **Ko Kung Hai**, the director primarily responsible for the financial management of **Jin Lin Wood Industries Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 57 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Ko Kung Hai

Subscribed and solemnly declared
by the abovenamed **Ko Kung Hai**
at Kuala Lumpur in the State of Federal Territory
on

Before me,

Report of the auditors to the members of Jin Lin Wood Industries Berhad

We have audited the accompanying financial statements set out on pages 14 to 57. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

During the year, the landed properties of a subsidiary company were revalued to RM45,265,000 based upon independent valuation. However, in arriving at the valuation, it has been assumed that the land is categorised as industrial. As at balance sheet date, the land has yet to be converted from agricultural to industrial pending the payment of conversion premium. In our opinion, it is inappropriate for the carrying value of the land to be stated at valuation amount based on it being categorised as industrial. Had the carrying amount been determined based on the assumption that the land is agricultural as stated in the independent valuer's report, it would have been stated at RM6,305,000 and the Capital Reserve of the Group would have been reduced by RM39,019,196 after related tax effects, and shareholders' equity would be a deficit of RM25,550,496.

In our opinion, except for the effects of the matter in the preceding paragraph:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company as at 30th June 2003 and of the results and of the cash flows of the Group and of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Report of the auditors to the members of Jin Lin Wood Industries Berhad

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements 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.

Except for the financial statements of Syarikat Mustapha & Ngu Timber Sdn Bhd which were qualified in respect of the matter referred to above, our auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act 1965.

Without further qualifying our opinion, we draw attention to:

(i) Note 1 to the financial statements which discloses the bases upon which the financial statements have been prepared, the premise upon which the application of the going concern concept has been adopted by the directors and the possible consequences should those bases not apply.

(ii) Note 15 to the financial statements which discloses the uncertainty regarding the recovery of certain long overdue receivables, and the directors view on their recoverability.

ERNST & YOUNG
AF: 0039
Chartered Accountants

YONG CHUNG SING
1052/9/04 (J)

Partner

Bintulu

31st March 2004

Consolidated Income Statement for the year ended 30th June 2003

	Note	2003 RM	2002 RM
Revenue	4	14,788,955	24,176,654
Cost of sales		(23,802,719)	(41,328,183)
Gross loss		(9.013,764)	(17,151,529)
Other operating income		1,710,614	2,425,653
Administrative expenses		(5,025,962)	(5,267,914)
Other expenses		(7,701,162)	(12,075,236)
Loss from operations	5	(20,030,274)	(32,069,026)
Finance costs, net	8	(5,412,385)	(6,909,260)
Loss before taxation		(25,442,659)	(38,978,286)
Taxation	9	(144)	14,300
Loss for the year		(25,442,803)	(38,963,986)
Loss per share (sen)	10	(57.82)	(93.51)

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

Income Statement
for the year ended 30th June 2003

	Note	2003 RM	2002 RM
Revenue	4	288,000	288,000
Cost of sales		-	-
Gross Profit		288,000	288,000
Other operating income		11,267	85,279
Administrative expenses		(1,099,372)	-
Other expenses		(65,060,450)	(479,019)
Loss from operations	5	(65,860,555)	(105,740)
Finance costs, ne	8	-	(15,000)
Loss before taxation		(65,860,555)	(120,740)
Taxation	9	-	-
Loss for the year		(65,860,555)	(120,740)

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

Consolidated Balance sheet as at 30th June 2003

	Note	2003 RM	2002 RM
Non-current assets			
Property, plant and equipment	11	86,051,301	83,590,971
Current assets			
Inventories	13	4,906,516	7,814,922
Trade receivables	14	3,726,202	11,236,746
Other receivables, deposits and prepayments	15	8,363,897	11,012,136
Fixed deposit with licensed banks	17	353,362	2,458,450
Cash and bank balances		60,218	107,448
		17,410,195	32,629,702
Current liabilities			
Bank overdrafts, secured	18	8,670,998	8,378,793
Other bank borrowings, secured	19	49,596,874	47,979,976
Tradepayables	20	11,620,599	12,408,581
Other payables and accruals	21	7,452,231	3,798,671
Amount due to directors	22	-	7,536
Lease payables	24	7,758,795	5,435,814
Tax payable		2,685,945	2,349,378
		87,785,442	80,358,749
Net current liabilities		(70,375,247)	(47,729,047)
		15,676,054	35,861,924
Financed by:			
Share capital	25	44,000,000	44,000,000
Share permium reserve	26	24,551,330	24,551,330
Capital reserve,non-distributable	27	12,665,978	7,165,861
Accimulated losses		(67,748,608)	(42,305,805)
Shareholders equity		13,468,700	33,411,386
Long term and deferred liabilities			
Lease payables	24	1,407,354	2,450,538
Deferred tax liabilities	28	800,000	-
		2,207,354	2,450,538
		15,676,054	35,861,924

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

Balance sheet
as at 30th June 2003

	Note	2003 RM	2002 RM
Non-current assets			
Property, plant and equipment	11	176,644	252,838
Investment in subsidiary companies	12	1,950,009	49,840,459
		2,126,653	50,093,297
Current assets			
Other receivables, deposits and prepayments	15	31,400	14,100
Amount due from subsidiary companies	16	144,559	15,759,665
Fixed deposit with licensed banks	17	223,907	2,331,791
Cash and bank balances		13,317	1,306
		413,183	18,106,862
Current liabilities			
Other payables and accruals	21	569,222	361,623
Amount due to a subsidiary company	23	267	98
Amount due to directors	22	-	7,536
		569,489	369,257
Net current (liabilities)/assets		(156,306)	17,737,605
		1,970,347	67,830,902
Financed by:			
Share capital	25	44,000,000	44,000,000
Share permium reserve	26	24,551,330	24,551,330
Accimulated losses		(66,580,983)	(720,428)
Shareholders equity		1,970,347	67,830,902

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

Consolidated Statement of Changes in Equity for the year ended 30th June 2003

	Share capital RM	Share premium reserve RM	Capital reserve, non-distributable RM	Accumulated losses RM	Total RM
At 1st July 2001	44,000,000	24,551,330	7,165,861	(3,341,819)	72,375,372
Loss for the year	-	-	-	(38,963,986)	(38,963,986)
At 30th June 2002	44,000,000	24,551,330	7,165,861	(42,305,805)	33,411,386
Surplus on revaluation of properties	-	-	6,300,117	-	6,300,117
Deferred taxation	-	-	(800,000)	-	(800,000)
Loss for the year	-	-	-	(25,442,803)	(25,442,803)
At 30th June 2003	44,000,000	24,551,330	12,665,978	(67,748,608)	13,468,700

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

Statement of Changes in Equity for the year ended 30th June 2003

	Share capital RM	Share premium reserve RM	Accumulated losses RM	Total RM
At 1st July 2001	40,000,000	24,551,330	(599,688)	63,951,642
Issuance of shares	4,000,000	-	-	4,000,000
Loss for the year	-	-	(120,740)	(120,740)
At 30th June 2002	44,000,000	24,551,330	(720,428)	67,830,902
Loss for the the year	-	-	(65,860,555)	(65,860,555)
At 30th June 2003	44,000,000	24,551,330	(66,580,983)	1,970,347

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

Consolidated Cash Flow Statement for the year ended 30 June 2003

	2003 RM	2002 RM
Cash flows from operating activities		
Loss before taxation	(25,442,659)	(38,978,286)
Adjustments for:		
Depreciation	7,337,392	7,371,773
Interest expenses	5,437,315	6,909,260
Interest income	(14,063)	(118,767)
Property, plant and equipment written off	1,193	3,407
Allowance for doubtful debts	7,701,162	12,075,236
Gain on disposal of property, plant and equipment	(145,028)	(89,333)
Operating loss before working capital changes	(5,124,688)	(12,826,710)
Changes in working capital:		
Inventories	2,908,406	13,101,988
Receivables	2,442,837	3,685,929
Payables	2,825,727	(3,867,445)
Amount due to directors	(7,536)	(5,005)
Cash generated from operations	3,044,746	88,757
Interest paid	(814,503)	(5,379,169)
Interest received	14,063	118,767
Income tax paid	(3,798)	-
Net cash generated from/(used in) operating activities	2,240,508	(5,171,645)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,499,371)	(694,693)
Proceeds from disposal of property, plant and equipment	145,600	100,000
Net cas used in investing activities	(3,353,771)	(594,693)

Consolidated Cash Flow Statement
for the year ended 30th June, 2003 (contd.)

	2003 RM	2002 RM
Cash flows from financing activities		
Repayment of bank borrowings	(1,190,637)	(4,261,762)
Repayment of lease financing	(143,419)	(876,963)
Decrease in fixed deposit pledged	2,107,884	1,455,137
Proceeds from bank borrowings	-	3,831,590
Proceeds from issuance of shares	-	4,000,000
Net cash generated from financing activities	773,828	4,148,002
Net decrease in cash and cash equivalents	(339,435)	(1,618,336)
Cash and cash equivalents at the beginning of the year	(8,271,345)	(6,653,009)
Cash and cash equivalents at the end of the year	(8,610,780)	(8,271,345)
Analysis of cash and cash equivalents:		
Cash and bank balances	60,218	107,448
Bank overdrafts, secured	(8,670,998)	(8,378,793)
	(8,610,780)	(8,271,345)
Analysis on acquisition of property, plant and equipment:		
By cash	3,499,371	694,693

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

Cash Flow Statement
for the year ended 30th June 2003

	2003 RM	2002 RM
Cash flows from operating activities		
Loss before taxation	(65,860,555)	(120,740)
Adjustments for:		
Depreciation	80,194	79,113
Allowance for doubtful debts	17,170,000	-
Provision for diminution in value for investment	47,890,450	-
Interest expense	-	15,000
Interest income	(11,267)	(85,279)
Operating loss before working capital changes	(731,178)	(111,906)
Changes in working capital:		
Receivables	(17,300)	(14,058)
Amount due from subsidiary companies	(1,554,894)	(2,836,981)
Payables	207,599	25,996
Amount due to a subsidiary company	169	98
Amount due to directors	(7,536)	(5,004)
Cash used in operations	(2,103,140)	(2,941,855)
Interest paid	-	(15,000)
Interest received	11,267	85,279
Net cash used in operating activities	(2,091,873)	(2,871,576)
Cash flows from investing activities		
Acquisition of property, plant and equpment	(4,000)	(14,205)
Net cash used in investing activities	(4,000)	(14,205)
Cash flows from financing activity		
Decrease/(increase) in fixed deposit pledged	2,107,884	(1,085,280)
Proceeds from issuance of shares	-	4,000,000
Net cash generated from financing activity	2,107,884	2,914,720
Net increase in cash and cash equivalents	12,011	28,939
Cash and cash equivalents at the beginning of the year	1,306	(27,633)
Cash and cash equivalents at the end of the year	13,317	1,306

Cash Flow Statement
for the year ended 30th June 2003 (contd.)

	2003 RM	2002 RM
Analysis of cash and cash equivalents:		
Cash and bank blances	13,317	1,306
Analysis on acquisition of property, plant and equipment:		
By cash	4,000	14,205

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

Notes to the financial statements - 30th June 2003

1. Fundamental accounting concept

In connection with the preparation of the financial statements for the year ended 30th June 2003, the Directors noted the following:

i. As at 30th June 2003, the Group and the Company disclosed net current liabilities amounting to RM70,375,247 (2002: RM47,729,047) and RM156,306 (2002: net current assets of RM17,737,605) respectively. In respect of the results for the year ended 30th June 2003, the Group and the Company disclosed Losses after Taxation amounting to RM25,442,803 (2002 : RM38,963,986) and RM65,860,555 (2002 : RM120,740) respectively.

ii. As disclosed in Notes 18 and 19, certain subsidiary companies have defaulted on the repayment of their banking facilities. As further disclosed in Notes 32 and 33, legal action has been instituted against the said subsidiary companies and the Company by certain banks, the Inland Revenue Board and a creditor for amounts payable. A Restraining Order has been granted for a period of 90 days effective from 3rd March 2004 by the Kuala Lumpur High Court pursuant to Section 176(10) of the Companies Act, 1965 for the purpose of undertaking a scheme of arrangement with secured and unsecured financiers of the Group.

iii. As disclosed in Note 15, amounts receivable of RM8,163,493 (2002: RM10,674,063) are long overdue and are to be repaid in annual instalments. Notwithstanding the uncertainty regarding the recovery of these amounts, the Directors are of the opinion that no additional adjustments to the carrying values are required as the likelihood of recovery is probable.

iv. As disclosed in Note 33, on 9th February 2003, the Company announced a Proposed Restructuring Scheme (the Scheme), which involves, inter alia, a capital reduction and cancellation of ordinary shares, transfer of listing status, debt settlement and waivers, and asset disposals. At the date these financial statements were approved for issue, the approvals from financiers and creditors, relevant authorities and shareholders for the implementation of the Scheme have yet to be obtained.

Notes to the financial statements - 30th June 2003

1. Fundamental accounting concept (contd.)

The abovementioned circumstances indicate significant uncertainty over the ability of the Group and the Company to meet their liabilities as and when they fall due. However, the Directors are of the opinion that the Scheme will be completed successfully in the anticipated time frame, the recovery of the amounts receivable will occur as mentioned in Note 1(iii) above and subsequently, the restructured Group and Company will be able to resume profitable operations. Accordingly, these financial statements have been prepared assuming the Group and the Company are going concerns. Should this assumption be inappropriate, adjustments to reduce the carrying amounts of assets, to classify all assets and liabilities as current assets and liabilities and to provide for additional liabilities may be required. Notwithstanding the appropriateness of the going concern assumption, future events may also indicate changes in the probability of recovering the amounts receivable mentioned in Note 1(iii) above. It may become necessary to reduce the carrying amounts of the receivables in future periods, subject to assessments of recoverability at respective balance sheet dates.

2. Corporate information

The principal activities of the Company are those of investment holding and the provision of management services to companies in the Group. The details of subsidiary companies and their principal activities are disclosed hereunder:

Name of Companies	Country of incorporation	Principal activities	Effective interest held 2003	Effective interest held 2002
Jin Lin Trading Sdn. Bhd.	Malaysia	Marketing & distributing of timber & timber related products	100%	100%
Syarikat Mustapha & Ngu Timber Sdn. Bhd.	Malaysia	Timber processing, manufacturing & sales of timber products	100%	100%
<u>Subsidiary of Jin Lin Trading Sdn. Bhd.</u>				
Akitiasa Sdn. Bhd.	Malaysia	Warehousing, chemical treatment and trading of sawn timber	100%	100%
<u>Subsidiary of Syarikat Mustapha & Ngu Timber Sdn. Bhd.</u>				
Jin Lin Bio-Coal Sdn. Bhd.	Malaysia	Dormant	100%	100%

All companies are audited by Ernst & Young, Malaysia.

The financial statements of the Group and of the Company are expressed in Ringgit Malaysia.

Notes to the financial statements - 30th June 2003

2. Corporate information (contd.)

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Malaysia Securities Exchange Berhad. The registered office of the Company is located at Level 13, Menara Milenium, 8, Jalan Damanlela, Damansara Heights, 50490, Kuala Lumpur.

The financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 29th March 2004

3. Significant accounting policies

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of land, industrial building and plant and machinery.

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

During the financial year ended 30th June 2003, the Group and of the Company adopted the following MASB Standards for the first time:

MASB 24	Financial instruments: Disclosure and presentation
MASB 25	Income taxes
MASB 27	Borrowings costs

The adoption of MASB 25 has not given rise to any adjustments to the opening balance of accumulated losses of the prior year and current year or to changes in comparatives.

Notes to the financial statements - 30th June 2003

3. Significant accounting policies (contd.)

(b) Subsidiaries

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

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

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

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

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

Notes to the financial statements - 30th June 2003

3. Significant accounting policies (contd.)

(c) Investments in subsidiary companies

The Company's investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(l).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognized in the income statements.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost and valuation less accumulated depre ciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(l).

Freehold land is stated at cost and valuation less impairment losses. Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is recog nized in the income statement to the extent of the decrease previously recognized. A revaluation decrease is first offset against an increase on unutilized earlier valuations in respect of the same asset and is thereafter recognized as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

Capital work-in-progress is not depreciated until the property, plant and equipment are fully completed and brought into use.

Notes to the financial statements - 30th June 2003

3. Significant accounting policies (contd.)

(d) Property, plant and equipment and depreciation (contd.)

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases period ranging from 14 years to 60 years. Depreciation of other property, plant and equipment is calculated on the straight line method to write off the cost of each asset over the estimated useful life are as follows:

Industrial buildings	10 to 33 years
Office renovation	10 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Fixtures, fittings and equipment	10 years

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognized in the income statement and the unutilized portion of the revaluation surplus on that item is taken directly to retained profits.

(e) Inventories

Inventories are stated at the lower of cost (determine on weighted average basis) and net realisable value. In arriving at the net realisable value, due allowance is made for all obsolete and slow-moving items. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropri ate production overheads. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(f) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at bank and bank overdraft, secured.

Notes to the financial statements - 30th June 2003

3. Significant accounting policies (contd.)

(g) Leases

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

(i) Finance leases

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

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

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 3(d).

(ii) Operating leases

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(h) Provision for liabilities

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

Provisions for restructuring costs is recognized when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

Notes to the financial statements - 30th June 2003

3. Significant accounting policies (contd.)

(i) Income tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized 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 utilized. Deferred tax is not recognized if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transactions, 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 realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognized in the income statement, except when it arises from a transaction which is recognized directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1st July 2002, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognized unless there was reasonable expectation of their realization.

Notes to the financial statements - 30th June 2003

3. Significant accounting policies (contd.)

(j) Revenue recognition

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

Sales of goods
Revenue relating to sales of goods is recognized net of sales taxes and discounts given upon the transfer of risks and rewards.

Revenue from services
Revenue from services rendered is recognized net of service taxes and discounts as and when the services are provided.

Management fee
Management fee is recognized when the management services are performed unless collectibility is in doubt.

(k) Foreign currencies transactions

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

All exchange rate differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in foreign entity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognized in the income statement.

The principal exchange rate used for the foreign currency ruling at balance sheet date used is as follows:

	2003	**2002**
United States Dollar	3.80	3.79

(l) Impairment of assets

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

An impairment loss is recognized as an expense in 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 unutilized previously recognized revaluation surplus for the same asset. Reversal of impairment losses recognized in prior years is recorded when the impairment losses recognized for the asset no longer exist or have decreased.

Notes to the financial statements - 30th June 2003

3. Significant accounting policies (contd.)

(m) Financial instruments

Financial instruments are recognized 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 enforcement right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

(i) Trade receivables

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

(ii) Trade payables

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

(iii) 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, construction or production of qualifying assets, which are assets that necessarily taken a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substan tially ready for their intended use or sale. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

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

(iv) Equity instruments

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

Notes to the financial statements - 30th June 2003

4. Revenue

The revenue of the Group and of the Company represents the total invoiced value of sales.Sales between the group of companies are excluded from revenue of the Group.

The significant categories of revenue recognised during the year are analyzed as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Sales of timber and timber related products	13,725,133	23,724,037	-	-
Services rendered	1,063,822	452,617	-	-
Management fee received	-	-	288,000	288,000
	14,788,955	24,176,654	288,000	288,000

5. Loss from operations

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

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Staff costs (Note 6)	3,871,523	4,440,062	302,930	29,755
Allowance for doubtful debts	7,701,162	12,075,236	17,170,000	-
Auditors' remuneration				
- Statutory audit	47,000	54,500	10,000	10,000
- Other services	100,000	86,350	100,000	25,000
Bank charges	-	1,772	-	-
Depreciation (Note 11)	7,337,392	7,371,773	80,194	79,113
Directors' remuneration (Note 7)				
- Fee	619,000	-	223,000	-
- Other emoluments	-	575,001	-	-
Late payment interest	24,930	-	-	-
Loss on foreign exchange, realised	1,066	1,139	-	-
Office rental	12,000	12,000	-	-
Property, plant and equipment written off	1,193	3,407	-	-
Provision for diminution in value for investment	-	-	47,890,450	-
Rent of land and building	111,400	52,800	60,000	-
Gain on disposal of property, plant and equipment	(145,028)	(89,333)	-	-
Gain on foreign exchange, realised	(517)	(2,047)	-	-
Interest income	(14,063)	(118,767)	(11,267)	(85,279)
Rental and sundry income	(1,465,866)	(1,408,410)	-	-

Notes to the financial statements - 30th June 2003

6. Staff costs

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
EPF	156,373	194,755	2,484	3,039
Bonus	-	78,220	-	1,720
Food ration	182,925	306,169	-	-
Salaries and allowance	3,285,475	3,805,097	300,078	24,564
SOCSO	17,555	21,243	368	432
Staff welfare	2,128	8,087	-	-
Sundry wages	227,039	26,262	-	-
Other staff relating expenses	28	229	-	-
	3,871,523	4,440,062	302,930	29,755
Number of employees as at 30 June 2003	340	310	3	1

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM594,000 (2002: 575,001) and RM198,000 (2002: RMNil) respectively as further disclosed in Note 7.

7. Directors' remuneration

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Executive Directors				
Other emoluments:				
Salaries	594,000	525,290	198,000	-
Employee Provident Fund and SOCSO	-	16,711	-	-
	594,000	542,001	198,000	-
Bonus	-	33,000	-	-
	594,000	575,001	198,000	-
Non-executive Directors				
Salaries and other emolument	25,000	-	25,000	-
Total	619,000	575,001	223,000	-

Notes to the financial statements - 30th June 2003

8. Finance costs, net

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
LC interest	8,006	658,564	-	-
Bank overdrafts interest	627,291	691,553	-	-
Banker acceptances interest	1,391,948	1,953,128	-	-
Interest charged by related parties	-	44,905	-	-
Lease interest	1,285,529	1,322,439	-	-
Loan interest	1,940,937	2,047,248	-	15,000
Other interest	135,572	191,423	-	-
Overdue interest	23,102	-	-	-
	5,412,385	6,909,260	-	15,000

9. Taxation

Malaysian taxation:

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Under provision in prior years	144	-	-	-
Transfer from deferred taxation	-	(14,300)	-	-
	144	(14,300)	-	-

There is no tax charge anticipated for the year as the Group and the Company has recorded significant losses during the year.

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Unutilised tax losses	27,950,000	16,585,000	950,000	390,000
Unabsorbed capital allowances	28,311,000	19,435,000	240,000	160,000
Unabsorbed reinvestment allowances	27,000,000	23,869,000	-	-
	83,261,000	59,889,000	1,190,000	550,000

Notes to the financial statements - 30th June 2003

9. Taxation (contd.)

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

	Group		Company	
	2003 RM	**2002 RM**	**2003 RM**	**2002 RM**
Loss before taxation	(25,442,659)	(38,978,286)	(65,860,555)	(120,740)
Taxation at Malaysian statutory rate of 28% (2002: 28%)	(7,120,000)	(11,000,000)	(18,000,000)	(34,000)
Deferred tax assets not recognized during the year	4,050,000)	6,567,000)	50,000)	-000)
Expenses not deductible for tax purposes	3,070,000)	4,433,000)	17,950,000)	34,000)
Tax expense for the year	-000)	-000)	-000)	-000)

10. Loss per share (sen)

The loss per share for the year have been calculated based on the net loss for the year of RM25,442,803 (2002: RM38,963,986) and dividing it by the weighted average number of ordinary shares outstanding during the current financial year of 44,000,000 (2002: Ordinary shares in issue of 41,666,667).

Notes to the financial statements - 30th June 2003

11. Property, plant and equipment

Group	*Freehold land RM	*Leasehold land RM	*Industrial buildings RM	Office renovation RM	**Plant and machinery RM	**Motor vehicles RM	Furniture, fittings etc. RM	Capital work-in-progress RM	Total RM
Cost and valuation									
At 1 July 2002	11,516,720	3,506,753	32,049,353	210,587	57,165,116	1,697,952	1,693,472	401,265	108,241,218
Additions	435,437	-	2,707,880	-	207,055	137,000	11,999	-	3,499,371
Reclassification	-	-	401,265	-	-	-	-	(401,265)	-
Revaluation reserve (Note 27)	2,343,843	2,243,421	(1,460,443)	-	3,145,252	28,044	-	-	6,300,117
Disposals	-	-	-	-	(101,000)	(303,480)	(1,249)	-	(405,729)
At 30 June 2003	14,296,000	5,750,174	33,698,055	210,587	60,416,423	1,559,516	1,704,222	-	117,634,977
Accumulated depreciation									
Charge for 2002 (Note 5)	-	112,298	1,232,613	20,595	5,669,116	168,583	168,568	-	7,371,773
At 1 July 2002	-	370,668	4,487,107	135,698	17,649,461	1,321,229	686,084	-	24,650,247
Charge for the year (Note 5)	-	112,298	1,280,953	21,059	5,624,911	128,343	169,828	-	7,337,392
Written off	-	-	-	-	-	-	1,193	-	1,193
Disposals	-	-	-	-	(101,000)	(303,480)	(676)	-	(405,156)
At 30 June 2003	-	482,966	5,768,060	156,757	23,173,372	1,146,092	856,429	-	31,583,676
Net book value									
At 30 June 2003	14,296,000	5,267,208	27,929,995	53,830	37,243,051	413,424	847,793	-	86,051,301
At 30 June 2002	11,516,720	3,136,085	27,562,246	74,889	39,515,655	376,723	1,007,388	401,265	83,590,971

Notes to the financial statements - 30th June 2003

11. Property, plant and equipment (contd.)

Group

***Land and buildings**

Analysis of cost and valuation	**Freehold land RM**	**Long leasehold land RM**	**Short leasehold land RM**	**Industrial buildings RM**	**Total RM**
At 30th June 2003					
Cost	2,971,687	278,545	360,000	33,422,498	37,032,730
Valuation in 1999	8,980,470	653,455	2,214,753	1,736,000	13,584,678
Valuation in 2003	2,343,843	-	2,243,421	(1,460,443)	3,126,821
	14,296,000	932,000	4,818,174	33,698,055	53,744,229)

****Plant and machinery and motor vehicles**

Analysis of cost and valuation	**Plant and machinery RM**	**Motor vehicles RM**	**Total RM**
At 30th June 2003			
Cost	57,271,171	1,531,472	58,802,643
Valuation in 2003	3,145,252	28,044	3,173,296
	60,416,423	1,559,516	61,975,939

The Group's land and building (which was previously revalued in the year 1999 by CH William Talhar Wong & Yeo Sdn. Bhd.), plant and machinery and motor vehicles had been revalued in 2003 by independent valuers based on the open market value as at 30 June 2003. The revaluation was carried out by Mr Henry Lu Nam Huat (V-255), a registered valuer of HASB Consultants (Sarawak) Sdn. Bhd. The resultant surplus of RM6,300,117 was credited to the revaluation reserve.

Notes to the financial statements - 30th June 2003

11. Property, plant and equipment (contd.)

Had the revalued assets been carried at historical cost less depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year is as follow:

	Group	
	2003 RM	2002 RM
Freehold land	2,971,687	2,536,250
Long leasehold land	257,986	262,628
Short leasehold land	250,687	311,838
Industrial buildings	28,031,981	26,391,327
	31,512,341	29,502,043
Plant and machinery	34,097,799	39,515,655
Motor vehicles	385,380	376,723

Net book value of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group	
	2003 RM	2002 RM
Motor vehicles	160,000	130,000
Plant and machinery	29,000,000	28,400,000
	29,160,000	28,530,000

The net book value of land held pledged for borrowings as referred to in Notes 18 and 19 are as follows:

	Group	
	2003 RM	2002 RM
Freehold land	14,296,000	11,516,720
Short leasehold land	4,404,000	2,257,344
Long leasehold land	863,208	878,741
	19,563,208	14,652,805

Notes to the financial statements - 30th June 2003

11. Property, plant and equipment (contd.)

Company

	Furniture, fittings & equipment	Office renovation RM	Motor vehicle RM	Total RM
Cost				
At 1st July 2002	12,629	9,309	388,000	409,938
Additions	4,000	-	-	4,000
At 30th June 2003	16,629	9,309	388,000	413,938
Accumulated depreciation				
Charge for 2002 (Note 5)	1,045	468	77,600	79,113
At 1st July 2002	1,432	468	155,200	157,100
Charge for the year (Note 5)	1,663	931	77,600	80,194
At 30th June 2003	3,095	1,399	232,800	237,294
Net book value				
At 30th June 2003	13,534	7,910	155,200	176,644
At 30th June 2002	11,197	8,841	232,800	252,838

12. Investment in subsidiary companies

	Company 2003 RM	2002 RM
Unquoted shares, at cost	49,840,459	49,840,459
Less: Provision for diminution in value	47,890,450	-
	1,950,009	49,840,459

Notes to the financial statements - 30th June 2003

13. Inventories

	Group 2003 RM	Group 2002 RM
At net realizable value:		
Logs	212,831	370,625
Veneer	627,192	1,729,692
Sawn timber	1,344,046	1,901,308
Moulded timber	339,774	571,052
Finger joint and laminated board	346,119	1,547,464
Kiln dry timber	1,947,148	1,694,781
Broomsticks and log core	89,406	-
	4,906,516	7,814,922

14. Trade receivables

	Group 2003 RM	Group 2002 RM
Trade receivables	23,399,482	23,311,982
Less: Allowance for doubtful debts	19,673,280	12,075,236
	3,726,202	11,236,746
Included in trade receivables are:		
Companies in which certain directors have significant influence amounting to:	1,182,331	1,322,838

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

Notes to the financial statements - 30th June 2003

15. Other receivables, deposits and prepayments

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Other receivables	8,272,189	10,831,894	-	8,600
Deposits	93,750	80,800	13,400	5,500
Prepayments	86,128	54,109	18,000	-
Staff advances	13,010	45,333	-	-
Less: Allowance for doubtful debts	101,180	-	-	-
	8,363,897	11,012,136	31,400	14,100

The other receivables comprise:

	Group	
	2003 RM	2002 RM
Asamakin Sdn. Bhd.	4,035,835	4,550,397
Jin Seng Lee Sdn. Bhd.	4,127,658	6,106,538
Other companies	108,696	174,959
	8,272,189	10,831,894

The amounts receivable from Asamakin Sdn Bhd and Jin Seng Lee Sdn Bhd are long overdue. These debtors have proposed repayment by way of annual instalments of RM910,000 and RM1,018,000 respectively, commencing 29th April 2004. The Directors have accepted the proposals and are of the opinion that no additional adjustments to the carrying values are required as the likelihood of recovery is probable. At the date these financial statements were approved for issue, no further repayments have been received.

16. Amount due from subsidiary companies

The amount due from subsidiary companies is unsecured, interest free and under no fixed term of repayment.

17. Fixed deposits with licensed banks

Fixed deposits are pledged to licensed banks for banking facilities granted to the Group.

The weighted average interest rates and average maturities of deposits as at the balance sheet date were 3.8% (2002:4.0 %) and 365 days (2002: 365 days) respectively.

Notes to the financial statements - 30th June 2003

18. Bank overdrafts, secured

These overdraft facilities bear interest ranging from 1.75% to 3.50% (2002: 1.50% to 2.00%) per annum above the banker's Base Lending Rate.

The facilities are secured by the following:
- All monies debentures creating a fixed and floating charges over all the assets of the subsidiary companies.
- Legal charges over the landed properties of subsidiary companies and of a third party.
- Lien over fixed deposits of the Company and the subsidiary companies as disclosed in Note 17 to the financial statements.
- Corporate guarantee from a corporate shareholder of the Company.
- Guarantee from certain directors of the Company and third parties.

The Group has defaulted on the repayment of its banking facilities and certain bankers have taken legal actions against the Company and certain subsidiary companies for the purpose of recalling the banking facilities as disclosed in Notes 32 and 33 to the financial statements.

19. Other bank borrowings, secured

	Group	
	2003	**2002**
	RM	**RM**
Bankers' acceptances	19,357,169	18,612,000
Preshipment advances	191,784	1,291,133
Trust receipts	4,829,496	4,799,355
Term loans	25,218,425	23,277,488
	49,596,874	47,979,976

The weighted average effective interest rates at the balance sheet date for borrowings, excluding lease payables, were as follows:

	2003	**2002**
	%	%
Bank overdrafts	1.75 to 3.50 (+ BLR)	1.50 to 2.00 (+ BLR)
Bankers' acceptances	1.50 to 3.50 (+BLR)	1.50 to 3.50 (+BLR)
Preshipments	1.50 (+BLR)	1.50 (+BLR)
Term loans	1.50 to 2.50 (+BLR) to 12	1.50 to 2.00 (+BLR) to 12

The secured bank overdraft and bankers' acceptances of the Group are secured by certain assets of the Group as disclosed in Note 11 to the financial statements.

Notes to the financial statements - 30th June 2003

19. Other bank borrowings, secured (contd.)

The Group has defaulted on the repayment of its banking facilities and certain bankers have taken legal actions against the Company and certain subsidiary companies for the purpose of recalling the banking facilities as disclosed in Notes 32 and 33 to the financial statements. In view of the above, the term loans are accordingly classified as current liabilities for the purpose of the financial statements.

Term loans bear interest ranging from 1.50% to 2.50% (2002: 1.50% to 2.00%) per annum above the banker's Base Lending Rate while the interest rate of Islamic Banking Facilities are charged at 11.50% to 12.00% (2002: 11.50% to 12.00%) per annum.

The facilities are secured by the following:
- All monies debentures creating a fixed and floating charges over all the assets of the subsidiary companies.
- Legal charges over the landed properties of subsidiary companies and of a third party.
- Lien over fixed deposits of the Company and the subsidiary companies as disclosed in Note 17 to the financial statements.
- Corporate guarantee from a corporate shareholder of the Company.
- Guarantee from certain directors of the Company and third parties.

20. Trade payables

	Group	
	2003 RM	2002 RM
Included in trade payables are:		
Companies in which certain directors have significant influence amounting to:	20,759	209,854

The normal trade credit terms granted to the Group is less than 30 days. Most of the purchases are transacted on cash terms.

21. Other payables and accruals

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits	365,273	346,981	-	-
Accruals	3,218,596	3,421,910	268,626	168,941
Advance	3,420,000	-	-	-
Other payables	448,362	29,780	300,596	192,682
	7,452,231	3,798,671	569,222	361,623

Notes to the financial statements - 30th June 2003

22. Amount due to directors

The amount due to directors is unsecured, interest free and under no fixed term of repayment.

23. Amount due to a subsidiary company

The amount due to a subsidiary company is unsecured, interest free and under no fixed term of repayment.

24. Lease payables

	Group	
	2003	**2002**
	RM	**RM**
Repayable within twelve months	7,758,795	5,435,814
Repayable after twelve months	1,407,354	2,450,538
	9,166,149	7,886,352
Lease instalments payable:		
Not later than one year	7,907,029	5,825,537
Later than one year but not later than five years	1,672,190	2,863,606
	9,579,219	8,689,143
Less: Future finance charges	413,070	802,791
Present value of lease liabilities	9,166,149	7,886,352

The lease liabilities bore interest at the balance sheet date between 5.50% to 10.75% (2002: 5.50% to 10.75%) per annum.

A subsidiary company of the Group has defaulted in certain lease obligations and have been served with Writ of Summons by certain lease creditors.

Notes to the financial statements - 30th June 2003

25. Share capital

	Number of ordinary Shares of RM1 each			Amount
	2003	2002 RM	2003 RM	2002
Authorized:				
At 1st July and at 30th June	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid:				
At 1st July	44,000,000	40,000,000	44,000,000	40,000,000
Issued and paid up during the year	-	4,000,000	-	4,000,000
At 30th June	44,000,000	44,000,000	44,000,000	44,000,000

26. Share premium reserve

	Group/Company	
	2003 RM	2002 RM
At 1st July and 30th June	24,551,330	24,551,330

27. Capital reserve, non distributable

	Group	
	2003 RM	2002 RM
Assets revaluation reserve at 1st July	7,165,861	7,165,861
Add: Revaluation surplus (Note 11)	6,300,117	-
	13,465,978	7,165,861
Less: Deferred taxation (Note 28)	800,000	-
Assets revaluation reserve at 30th June	12,665,978	7,165,861

Notes to the financial statements - 30th June 2003

28. Deferred Taxation

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Arising from revaluation surplus	800,000	-	-	-

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

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Unutilised tax losses	27,950,000	16,585,000	950,000	390,000
Unabsorbed capital allowances	28,311,000	19,435,000	240,000	160,000
Unabsorbed reinvestment allowances	27,000,000	23,869,000	-	-
	83,261,000	59,889,000	1,190,000	550,000

The unutilized losses and unabsorbed capital allowances and reinvestment allowances are carried forward indefinitely for offset against future taxable profits.

29. Significant related party transactions

	Company 2003 RM	Company 2002 RM
(a) Transactions with a subsidiary company:		
Management fee earned from:		
-Jin Lin Trading Sdn. Bhd.	(288,000)	(288,000)

Notes to the financial statements - 30th June 2003

29. Significant related party transactions (contd.)

(b) Transactions with companies in which certain directors, Chan Lan Ngai and Ko Kung Hai have significant influence:

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Storage income earned from:				
- Jin Lin Engineering Works Sdn. Bhd.	(6,000)	(24,000)	-	-
Office rental charged by:				
- Dachong Hong Sdn. Bhd.	24,000	15,000	18,000	9,000
Repair and maintenance charged by:				
- Jin Lin Engineering Works Sdn. Bhd.	18,925	120,395	-	-

The Directors are of the opinion that the above transactions were entered into in the normal course of business and were transacted on normal commercial terms.

(c) Directors' remuneration

The remuneration paid or payable to Executive Directors and Non-executive Directors of the Group and of the Company are disclosed as follows:

	Group 2003 RM	Group 2002 RM	Company 2003 RM	Company 2002 RM
Executive Directors				
Other emoluments:				
Salaries	594,000	525,290	198,000	-
Employee Provident Fund and SOCSO	-	16,711	-	-
	594,000	542,001	198,000	-
Bonus	-	33,000	-	-
	594,000	575,001	198,000	-
Non-executive Directors				
Salaries and other emolument	25,000	-	25,000	-
Total	619,000	575,001	223,000	-

Notes to the financial statements - 30th June 2003

29. Significant related party transactions (contd.)

Directors' remuneration
The remuneration paid or payable to the Directors of the Group and of the Company are further analysed as follows:

	Number of Directors			
	2003		2002	
Group	Executive	Non-executive	Executive	Non-executive
Bands of remuneration				
RM300,001 – RM350,000	-	-	-	-
RM250,001 – RM300,000	-	-	1	-
RM200,001 – RM250,000	1	-	-	-
RM150,001 – RM200,000	1	-	1	-
RM100,001 – RM150,000	1	-	1	-
RM 50,001 – RM100,000	1	-	-	-
RM1 – RM 50,000	-	1	-	-
RM Nil	-	-	-	4
Company				
Bands of remuneration				
RM250,001 – RM300,000	-	-	-	-
RM200,001 – RM250,000	-	-	-	-
RM150,001 – RM200,000	-	-	-	-
RM100,001 – RM150,000	1	-	-	-
RM 50,001 – RM100,000	1	-	-	-
RM1 – RM 50,000	-	1	-	-
RM Nil	-	-	3	4

Notes to the financial statements - 30th June 2003

30. Capital commitments

	Group 2003 RM	Group 2002 RM
Authorised capital expenditure not provided for in the financial statements:		
- Approved and contracted for acquisition of property, plant and equipment under leasing arrangement	-	282,942

31. Contingent liabilities

	Company 2003 RM	Company 2002 RM
Corporate guarantees for banking facilities granted to subsidiary companies - secured	1,200,000	1,200,000
- unsecured	64,863,305	64,863,305
	66,063,305	66,063,305

31. Segmental reporting

Segmental reporting under MASB 22 is not relevant as the Company is principally involved in the homogeneous activity of manufacturing and trading of timber and timber related products in Malaysia.

32. Significant events

(a) On 27th August 2002, Standard Chartered Bank Malaysia Berhad (SCBMB) served a notice to the Company and one of its subsidiary companies, Jin Lin Trading Sdn. Bhd. (JLT) under Section 218 of Companies Act,1965 demanding the repayment of the judgement sum together with the interest accrued amounting RM 3,065,831. A petition to wind up based on this notice was filed on 20th February 2003 and served on the Company. The hearing of the petition to wind up JLT was fixed on 9th December 2003.

On 15th October 2002, SCBMB issued a notice pursuant to Section 218 of the Companies Act, 1965 on the Company and JLT demanding the judgement sum of RM 2,982,680. SCBMB alleged that this is the sum due as at 15th October 2002.

Notes to the financial statements - 30th June 2003

32. Significant events (contd.)

(b) The Company and one of its subsidiary companies, Syarikat Mustapha and Ngu Timber Sdn. Bhd. (SMNT), were served with the Writ of Summons dated 17th June 2002 in relation to a claim by Bumiputra-Commerce Bank Berhad, a licensed bank, for outstanding amount of RM 23,755,749 plus interest and cost in respect of banking facilities owing by SMNT.

Subsequently, on 1st August 2002, the Company and SMNT were served the Judgement in Default of appearance on 24th July 2002 ordering the Company and SMNT to pay the amount owing to Bumiputra-Commerce Bank Berhad. Judgement was obtained by the bank dated 24th July 2002 ordering the Company and SMNT to pay the claim.

(c) On 29th June 2002, SMNT was served with the Writ of summons dated 10th May 2002 in relation to a claim by Arab-Malaysian Finance Berhad for outstanding banking facilities due from SMNT amounting to RM59,531 together with interest at the rate of 18.44% per annum from 5th April 2002 until full payment and cost. Judgement in default was obtained on 25th September 2002.

(d) On 18th July 2002, the Company and SMNT, were served with the Writ of Summons dated 22nd June 2002 in relation to a claim by Affin Bank Berhad for repayment of amounts out standing in respect of banking facilities due from SMNT amounting RM4,799,354 together with interest at the rate of 9.4% per annum from 7th June 2002 until full payment and costs.

(e) On 18th July 2002, the subsidiary company, Akitiasa Sdn. Bhd. (ATSB) was served with the Originating Summons dated 3th July 2002 issued by the High Court of Sabah and Sarawak at Bintulu. In the originating summons, Affin Bank Berhad, a licensed bank, sought an Order under Section 148(2) (C) of the Land Code (Cap.81) of Sarawak to sell, by public tender, the land and building of ATSB, which are charged in favour of Affin Bank Berhad for banking facilities granted to a fellow subsidiary company, SMNT, to satisfy the outstanding due from SMNT in the sum of RM4,799,354 together with interest at the rate of 9.4% per annum from 7th June 2002 until full payment pursuant to the Writ of Summons served on SMNT dated 22nd June 2002. The hearing for Order for Sale was fixed on 27th November 2002. An Order for Sale of land was obtained by Affin Bank Berhad on 12nd March 2003.

(f) On 7th October 2002, the Inland Revenue Board issued a notice of civil proceeding against JLT under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM 2,430,700 which have been provided as income tax payable in the financial statements.

Notes to the financial statements - 30th June 2003

32. Significant events (contd.)

(g) SMNT and certain directors of the Company were served with the Writ of Summons dated 14th November 2002 in relation to a claim by HSBC Bank Berhad (HSBC)on packing credit account of RM166,994 and bankers acceptance of RM1,007,230 at a rate of 7.9% and 8.9% respectively until full and final settlement. HSBC filed an application for summary judgement on 2nd April 2003.

(h) JLT and certain directors of the subsidiary companies were served with the Writ of Summons dated 27th August 2003 in relation to a claim by Mulpha International Berhad amounting to RM7,235,233 at a rate of 8% per annum from the date of judgement until full and final payment.

As at the date of this report, there is no further development other than as disclosed above.

33. Subsequent events

(1) Proposed Restructuring Scheme

The Company announced on 9th February 2004 that it had entered into a conditional restructuring agreement (Restructuring Agreement) with Seo Aik Leong (SBG Controlling Shareholder) wherein the Company and SBG Controlling Shareholder have agreed to undertake a restructuring scheme with the intention of restoring the Group onto stronger financial footing via injection of new viable business.

The main features of the Proposed Restructuring Scheme (the Scheme) are summarized as follows:

(a) Proposed arrangements with the existing shareholders of the Company:

(i) Proposed reduction of the existing issued and paid-up capital of the Company of RM44,000,000 comprising 44,000,000 ordinary shares of RM1 each to RM8,800,000 comprising 44,000,000 ordinary shares of RM1 each of RM0.20 each;

(ii) Proposed consolidation of the 44,000,000 ordinary shares of RM0.20 each into 8,800,000 shares;

(iii) Proposed cancellation of the entire issued and paid-up capital of the Company of RM8,800,000 comprising 8,800,000 ordinary shares, resulting in a credit reserve of RM8,800,000 arising in the Company's accounts;

(iv) In consideration for the proposed cancellation, a new company (Newco) is to be incorporated to serve as the holding company for the purpose of facilitating the implementation of the Scheme, shall allot and issue to the shareholders 8,800,000 ordinary shares of RM1 each in Newco at par, credited as fully paid on the basis of one Newco Share for every one of the Company's share;

Notes to the financial statements - 30th June 2003

33. Subsequent events (contd.)

(1) Proposed Restructuring Scheme (contd.)

(b) Proposed arrangements with the existing creditors:

(i) Proposed settlement of debts owing to certain creditors of the Company comprising inter-alia, all financial institutions and certain other creditors (Creditors) amounting to RM57 million based on the cut off date of 30th June 2002;

(ii) The waiver by the Creditors of all interest, penalties, costs, fees and other charges accrued after 30th June 2002;

(iii) The release of the contingent liability under the corporate guarantees and other security arrangement provided by the Group;

(iv) A further waiver by the unsecured/partially secured creditors at the rate of at least 50% for every RM1 of all the aggregate debts and liabilities after taking into account paragraph b(i) and b(ii) above;

(v) The repayment of debts owing to the secured creditors (after taking into account paragraph b(i) and b(ii) above) from the proceeds of the disposal of certain assets of the Group;

(vi) The issuance of Newco Shares of RM1 each in Newco to the unsecured/ partially secured creditors or such persons as they may each nominate in the settlement of debts owing to them (after taking into account paragraph b(i), b(ii) and b(iv) above;

(c) Proposed acquisition by Newco of the entire equity interest in two companies involved in producing marble for a purchase consideration of RM126,000,000 or such amount to be mutually agreed by the parties on a willing buyer-willing seller basis;

(d) Proposed disposal of 100% equity interest in the Company by Newco (after the Proposed Scheme of Arrangement with the Company's shareholders) to purchaser(s) to be identified at a fair value to be determined as soon as it is practicable by an independent valuer and/or auditor;

(e) Proposed transfer of the listing status of the Company on the Second Board of the Malaysia Securities Exchange Berhad (MESB) to Newco.

As at the balance sheet date and at the date of this report, the implementation of the Scheme is pending certain approvals.

Notes to the financial statements - 30th June 2003

33. Subsequent events (contd.)

(2) Others

(a) On 4th February 2004, the Inland Revenue Board issued a notice of civil proceeding against ATSB under Section 106 of the Income tax Act, 1967 for not paying income tax liability amounting to RM41,777.

(b) One of the subsidiary companies, Jin Lin Bio Coal Sdn. Bhd. (JLBC) and JLT were served with the Writ of Summons dated 5th February 2004 in relation to a claim by Orix Credit Malaysia Sdn. Bhd. for hire purchase facilities amounting to RM364,698 at a rate of 0.065% per day on the principal outstanding until full and final settlement.

(c) SMNT was served with the Writ of Summons dated 12nd February 2004 in relation to a claim by Mulpha International Berhad amounting to RM817,443 at a rate of 8% per annum until full and final settlement.

(d) SMNT and certain directors of the Company were served with the Writ of Summons dated 21st February 2004 in relation to a claim by RHB Delta Finance Berhad for hire purchase facilities due from SMNT amounting to RM93,637 at a rate of 17.75% per annum until full and final settlement.

(e) The Group was granted a restraining and stay order (RO) for a period of 90 days effective from 3rd March 2004 by the Kuala Lumpur High Court pursuant to Section 176(10) of the Companies Act, 1965.

34. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks.

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debts, as the Group has no substantial long-term interest-bearing assets as at 30th June 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

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

Notes to the financial statements - 30th June 2003

34. Financial instruments (contd.)

(c) Foreign exchange risk

The Group is principally exposed to one currency, namely United States Dollar. Foreign currency denominated assets together with expected cash flows from highly probable export sales give rise to foreign exchange exposures. The foreign currency transaction exposures are not hedged as Malaysia Ringgit is pegged to United States Dollar.

(d) Liquidity risk

The Group has high liquidity risk as it has defaulted on the repayment of its banking facilities and certain bankers have taken legal actions against the Group for the purpose of recalling the banking facilities as disclosed in Notes 32 and 33 to the financial statements.

(e) Credit risk

Credit risks are monitored via limiting the Group's associations to business partners with good creditworthiness.

Other than other receivables, the Group does not have any significant exposure to any individual customer or counter party. Other receivables include long outstanding amount of RM8,163,493 (2002: RM10,674,063). As at the date of these financial statements, the Directors are of the opinion that no additional allowance is required for these amounts as the likelihood of recoverability remaining favorable.

(f) Fair values

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

(i) Cash and cash equivalents, trade and other receivables/payables, short term borrowings, amount due from/to subsidiary companies and amount due to directors. The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

35. Comparatives

The comparative figure for staff cost has been restated to include the emoluments for Executive Directors.

	Group 2002 RM
As previously stated	3,865,001
Executive directors' emoluments	575,001
As restated	4,440,062

Comparatives are not disclosed for certain information relating to financial instruments as permitted by MASB Standard 24- Financial Instruments: Disclosure and presentation, upon first application.

Analysis of shareholdings

As per the Record of Depositors as at 1 June 2004

Authorized Share Capital	:	RM100,000,000.00
Issued and Fully Paid-up	:	RM44,000,000.00
Class of Shares	:	Ordinary Shares of RM1.00 Each
No. of Shareholders	:	6,000
Voting Rights	:	1 Vote Per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

No. of Holders	Holdings	Total Holdings	%
8	1 to 99	229	0.00
2,907	100 to 1,000 shares	2,872,387	6.53
2,524	1,001 to 10,000 shares	11,312,993	25.71
524	10,001 to 100,000 shares	16,153,795	36.71
37	100,001 to less than 5% of issued shares	13,660,596	31.05
0	5% and above of issued shares	0	0.00
6,000	**Total**	**44,000,000**	**100**

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY
As per the Register of Directors' Shareholdings as at 1 June 2004

Directors	Direct	Indirect
Dato' Dr Hj Sallehuddin bin Kassim	-	-
Ko Kung Hai	1,510,000	-
Cheng Yang Poh	-	-
Ngui Ing Ing	22,000	-
Kang Ching Hong	-	-
Lim Chin Aik	-	-

As at 1 June 2004, none of the Directors of JLWIB has any direct and/or indirect interest in any related corporation of JLWIB.

SUBSTANTIAL SHAREHOLDERS
As per the Register of Substantial Shareholders as at 1 June 2004

	No. of Shares Held			
No. Shareholder	Direct	%	Indirect	%
	- NIL -			

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS
As per the Record of Depositors as at 1 June 2004

No.	Securities Account Holders	Shareholdings	%
1.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Investment Management Sdn Bhd for Dato' Nik Kamaruddin Bin Ismail (N14011980920)	1,626,002	3.70
2.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ko Kung Hai (Memo)	1,450,000	3.30
3.	OSK Nominees (Tempatan) Sdn Berhad Jin Lin Organisation Sdn Bhd	1,244,273	2.83
4.	Chieng Lee Hook	819,000	1.86

Analysis of shareholdings

No.	Securities Account Holders	Shareholdings	%
5.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Keng Boo	800,000	1.82
6.	Jarenang Sendirian Berhad	796,276	1.81
7.	Yong Chiu Peng	589,200	1.34
8.	Jin Lin Credit and Development Bhd	568,520	1.29
9.	Fong Cheong Kok	480,000	1.09
10.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Lai Peng (LIM0841C)	412,100	0.94
11.	Mak Ngia Ngia @ Mak Yoke Lum	401,000	0.91
12.	Lai Choon Kong	400,000	0.91
13.	Liao Ying Fong	300,000	0.68
14.	Beh Chun Chuan	253,900	0.58
15.	RHB Nominees (Asing) Sdn Bhd GK Goh SPL for Lian Giap Timber Pte Ltd (6Y/121188)	221,681	0.50
16.	Ong Kok Thye	215,000	0.49
17.	Tie Mee Leng	212,681	0.48
18.	Tam Soo Sum	200,000	0.45
19.	Wong Nga Siu	200,000	0.45
20.	Hee Choon Peng	200,000	0.45
21.	Seng Kin Sdn Bhd	181,681	0.41
22.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Hung Yong	171,000	0.39
23.	Lee See Kwan	160,000	0.36
24.	Ng Say Thin	150,000	0.34
25.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Cheng Keong (MM1289)	150,000	0.34
26	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Muhammad Syafiq Baljit bin Abdullah	148,000	0.34
27	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Teng Ying Hock	140,841	0.32
28	Gan Chuan Lee	138,000	0.31
29	Lim Sow Wah	133,600	0.30
30	Ong Kok Thye	120,000	0.27
	TOTAL	**12,882,755**	**29.28**

List of all Properties held as at 30 June 2003

List of all properties owned by the JLWIB Group is set out below:

Title/Location	Description and Current Use	Year Built	Tenure	Land Area	Net Book Value (RM)	Date of Revaluation
Under Syarikat Mustapha & Ngu Timber Sdn Bhd (SMNT)	Sawmill situated in open-sided timber and steel structures	1994	Freehold	1.08 hectares	498,147.24	23.12.2003
(a) Lot 543, Block 22, Buan Land District Tatau, Bintulu	Vacant Land	n.a	Leasehold/to expire on 09.08.2010	2.064 sq.mt	120,627.11	23.12.2003
(b) Tatau Lease 5504, Tatau, Bintulu and;	Single storey wooden terrace staff quarters (Lot 64)	1998	Leasehold/to expire on 31.12.2023	2.08 hectares	1,218,018.24	23.12.2003
(c) Amalgamated lots 64, 72, 211, 216, 252, 231, 545, 547 and 213 Buan Land District Tatau, Bintulu	Vacant Land (Lot 72)	n.a	Leasehold/to expire on 31.12.2023	5.2 hectares	3,065,354.65	23.12.2003
	3 pitched roof single sotrey, steel open-sided structure veneer factory with concrete floor slabs (Lot 184)	1997	Freehold	3.01 hectares	1,412,476.32	23.12.2003
	Single storey, high pitched roofing, steel open structures warehouse with concrete floor slabs (Lot 211)	1997	Freehold	1.54 hectares	723,360.50	23.12.2003
	Logyard (Lot 216)	n.a	Freehold	1.49 hectares	696,621.49	23.12.2003
	Logyard (Lot 252)	n.a	Freehold	5747 sq. mt	2,695,948.65	23.12.2003
	General Moulding Factory (Lot 231)	1991	Freehold	1.62 hectares	761,264.22	23.12.2003
	Sawmill, waehouse and general moulding factory (Lot 545)	1991	Freehold	2.72 hectares	1,286,329.65	23.12.2003
	Single storey, high pitched roofing, open structured charcoal and fingerjoint and lamination factories with concrete floor slabs (Lot 547)	1997	Freehold	5.65 hectares	2,650,445.43	23.12.2003

List of all Properties held as at 30 June 2003

Title/Location	Description and Current Use	Year Built	Tenure	Land Area	Net Book Value (RM)	Date of Revaluation
	Double storey wooden quarters and canteen within integrated wood processing factory (Lot 213)	1998	Freehold	6.68 hectares	3,135,969.50	23.12.2003
	Land charges and fees of amalgamation & AVTC of Lots 231, 543, 545, 547 Buan Land District and Lots 64, 72, 184, 211, 213, 126 & 252 Buan Land District				435,437.00	
Subtotal (SMNT)					18,700,000.00	
Under Akitiasa Sdn Bhd (ASB) Lot 2605, Block 32, Kemena Land District Bintulu	Double pitched single storey warehouse and chemical treatment plant building	1995	Leasehold/to expire on 17.07.2056	1.4 hectares		
Subtotal (ASB)					863,207.13	02.12.1998
Total (JLWIB Group)					19,563,207.13	

Other Information

1. **Non-audit fees paid to external auditors**
The Company and its subsidiaries has paid a total amount of RM40,790.00 as non-audit fees to the external auditors for the financial year ended 30 June 2003.

2. **Share buybacks**
The Company did not purchase any of its own shares during the financial year ended 30 June 2003.

3. **Options, warrants or convertible securities**
The Company did not issue any options, warrants or convertible securities during the financial year ended 30 June 2003.

4. **American Depository Receipt (ADR) or Global Depository Receipts (GDR)**
During the financial year, the Company did not sponsor any ADR or GDR programme.

5. **Imposition of sanctions and/or penalties**
On 12 December 2003, Bursa Malaysia in consultation with the Securities Commission, publicly reprimanded JLWIB for breaches of paragraph 9.03, in particular paragraph 9.03(l), paragraph 9.04(f) and paragraph 9.04(l) of the Bursa Malaysia's Listing Requirements ("LR") and paragraph 2.1(d) of Practice Note No. 1/2001 ("PN1"). A fine of RM25,000.00 was also imposed on JLWIB for breach of paragraph 9.03, in particular paragraph 9.03(l) and paragraph 9.04(f) of the Listing Requirements.

6. **Material Contracts**
There were no material contracts entered into by the Company and its subsidiary companies which involve its Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 30 June 2003 or entered into since the end of the previous financial year.

7. **Variation in results from profit estimates, forecasts or projections or unaudited results announced**
In accordance with Bursa Malaysia's Listing Requirements, Chapter 9, Part J Paragraph 9.19(33), JLWIB had announced on 31 March 2004 that there were variances between the unaudited quarterly report ('the Unaudited Quarterly Report') for the financial period ended 30 June 2003 announced on 29 August 2003 compared to the audited financial statements ("the Audited Financial Statements") for the financial year ended 30 June 2003.

   JLWIB reported a loss after taxation and minority interest of RM17,567,000.00 in its Unaudited Quarterly Report, whereas the loss after taxation in JLWIB's Audited Financial Statements was RM25,443,000.00 giving rise to a negative variance of 45%.

The reconciliation for the variance is as follows:-	RM'000
Unaudited consolidated loss after taxation as announced on 29 August 2003	(17,567)
Less: Writing off of bad debts	(7,876)
Audited consolidated loss after taxation	(25,443)

8. **Profit Guarantee**
No profit guarantee was given by the Company in respect of the financial year.

9. **Recurrent related party transactions in the ordinary course of business**
The following recurrent related party transactions were entered into in the ordinary course of business during the financial year ended 30 June 2003 pursuant to the Shareholders' Mandate obtained on 30 December 2002:-

Other Information

	Financial year ended 30 June 2003	
	Company (RM)	**Group (RM)**
Warehouse rental of premises rented by Jin Lin Engineering Works Sdn Bhd from Akitiasa Sdn Bhd	-	6,000
Repair and maintenance works provided by Jin Lin Engineering Works Sdn Bhd to JLWIB Group	-	18,925
Office rental of premises rented from Dachong Hong Sdn Bhd by JLWIB and Jin Lin Trading Sdn Bhd	9,000	24,000

The relationships with the above related parties are as follows:

Related Party	**Nature of Relationship**
Jin Lin Engineering Works Sdn Bhd and Dachong Hong Sdn Bhd	Jin Lin Engineering Works Sdn Bhd and Dachong Hong Sdn Bhd are both 100% owned subsidiary companies of Jin Lin Organisation Sdn Bhd, a past major shareholder of JLWIB. Jin Lin Organisation Sdn Bhd is also a major shareholder of Jin Lin Credit & Development Berhad, which in turn has a shareholding of 1.32% in JLWIB. Ko Kung Hai and Chan Lan Ngai who respectively are the Managing Director and past Director of JLWIB, are Directors of Jin Lin Organisation Sdn Bhd. They are also Directors of Jin Lin Engineering Works Sdn Bhd and Dachong Hong Sdn Bhd. Ko Kung Hai has a direct shareholding of 3.43% in JLWIB and direct shareholding of 8.8% in Jin Lin Organisation Sdn Bhd. Chan Lan Ngai, a past Director of JLWIB has a direct shareholding of 8% in Jin Lin Organisation Sdn Bhd. Ting Siew Eng, the spouse of Ko Kung Hai has a direct shareholding of 20,000 shares in JLWIB.

10. Utilisation of Proceeds

JLWIB did not undertake any fund raising corporate proposal during the financial year ended 30 June 2003.

PROXY FORM

NO. OF SHARES HELD

JIN LIN WOOD INDUSTRIES BERHAD
(Company No. 467115-T)

I/We.. CDS A/C No ....
(FULL NAME IN BLOCK LETTERS)

of...
(ADDRESS)

being a member/members of Jin Lin Wood Industries Berhad hereby appoint...

....
(FULL NAME)

of...
(ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Fifth Annual General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 23 July 2004 at 10.00 a.m. and at any adjournment thereof.

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

RESOLUTION		FOR	AGAINST
Ordinary Resolution 1	Receipt of the Audited Financial Statements for the financial year ended 30 June 2003 and the Directors' and Auditors' Reports		
Ordinary Resolution 2	Approval of Directors' Fees		
Ordinary Resolution 3	Re-election of Director		
Ordinary Resolution 4	Re-election of Director		
Ordinary Resolution 5	Re-election of Director		
Ordinary Resolution 6	Re-election of Director		
Ordinary Resolution 7	Re-appointment of Messrs Ernst & Young as Auditors and to authorize the Directors to fix the Auditors' remuneration		
Ordinary Resolution 8	Authority to the Directors under Section 132D of the Companies Act, 1965 to allot and issue shares in the Company		
Ordinary Resolution 9	Proposed Renewal of Shareholders' mandate for Jin Lin Wood Industries Berhad and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with Mandated Party		

Please indicate with "x" how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this day of 2004

....
Signature/Common Seal of Shareholder(s)

Note 1
A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy may but need not be a member of the Company. In the case of a corporate member, the instrument appointing a proxy shall be either under its Common Seal or under the hand of its attorney duly authorized in that behalf. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy. The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Level 13, Menara Milenium, 8 Jalan Damanlela, Damansara Heights, 50490 Kuala Lumpur not less than forty eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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STAMP

The Company Secretary
JIN LIN WOOD INDUSTRIES BERHAD (Company No. 467115-T)
Level 13, Menara Milenium, 8 Jalan Damanlela
Damansara Heights, 50490 Kuala Lumpur.

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FINANCIAL STATEMENTS

JIN LIN WOOD INDUSTRIES BERHAD (JLWIB)