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HIDONG
ESTATE PLC

Annual Report 1989

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Hidong Estate PLC
(Incorporated In England)

Contents

Corporate information

DIRECTORS

Chew Sing Guan, (Chairman)
Tan Sri Datuk Hamzah Sendut
Zambri bin Haji Mahmud

HEAD OFFICE, SECRETARIES, MANAGING AGENTS AND MALAYSIAN REGISTRARS

Plantation Agencies Sdn. Berhad
Standard Chartered Bank Chambers,
P.O. Box 706,
10790 Penang, Malaysia.

ESTATE

Kuala Hidong Estate
18000 Kuala Krai,
Kelantan.

REGISTERED OFFICE

Balfour House
390/398 High Road
Ilford, Essex IG1 1NQ

U.K. REGISTRARS

Regis Registrars Limited
Balfour House
390/398 High Road
Ilford, Essex IG1 1NQ

AUDITORS

Ernst & Whinney
Hongkong Bank Chambers,
10300 Penang, Malaysia.

LISTING

London Stock Exchange.

Hidong
Estate
PLC
(Incorporated in England)

Notice of meeting

NOTICE IS HEREBY GIVEN that the SIXTY-SIXTH ANNUAL GENERAL MEETING of the company will be held at the head office of the company, Standard Chartered Bank Chambers, Beach Street, Penang, Malaysia on Monday 16th October, 1989 at 12.00 noon for the following purposes:-

1. To receive and consider the accounts and the reports of the directors and auditors thereon for the year ended 31st March, 1989.

2. To re-elect a director.

3. To re-appoint the auditors and to authorise the directors to fix their remuneration.

By order of the board,

PLANTATION AGENCIES SDN. BERHAD.
Secretaries

Penang, 20th September, 1989

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the company. A form of proxy is enclosed for completion and return.

2. A statement of all transactions of each director and, where applicable, of his family in the share capital of the company will be available at the head office of the company on any weekday during normal business hours from the date of this notice until the conclusion of the annual general meeting. There are no service contracts in existence with the directors.

Chairman's statement

It is indeed a pleasure to report that the results of the company for the year under review have improved significantly with the profit before taxation of M$639,072 achieved this year against a before tax profit figure of M$249,107 previously in 1988 and a loss of M$64,291 in 1987. This marked improvement in performance was made possible with better prices realised for the company's increased rubber crop yields coupled with a substantial reduction in borrowing costs. As in the previous year, no taxation is chargeable on the company's profit due to the availability of brought forward losses and capital allowances.

Through the company has turned the corner with the improved results this year, no dividend is proposed for the year under review after due consideration as funds are still required to further reduce the company's borrowings and to provide for the replanting programme. However, barring any unforeseen circumstances the company is confident that it will be able to initiate a dividend distribution this coming year.

The rubber crop this year of 714,500 kg. is outstanding, surpassing the previous year's crop of 682,000 kg. by 5% . This reflects an improvement in yield from 1,471 kg. per hectare last year to 1,577 kg. per hectare for the year under review. The increase in production costs from 185.14 sen per kg. to 205. 18 sen per kg. over the year is consistent with the increase in the price of this commodity which resulted in higher tapping costs and export duty. It is gratifying to note that the average selling price of rubber had climbed to 305.68 sen per kg. representing a 22% improvement over previous year's average selling price of 250.71 sen per kg.

During the year under review, 13 hectares of oil palm which were replanted in 1984 matured and contributed to an increase in fresh fruit bunches (FFB) production to 1,254 tonnes from 1,198 tonnes harvested in the previous year. However, there was a marginal decline in yield from 11.58 tonnes per hectare to 10.78 tonnes. With average selling price of FFB having increased to M$186.90 per tonne from M$139.28 per tonne in the previous year and production costs being held at M$165.71 per tonne, up 8% from M$153.21 per tonne previously, the company managed to show a small profit from oil palm production as opposed to a marginal loss in the previous year.

Subsequent to our financial year end, commodity prices have been lower recently compared to those seen in the period under review. Though our crop yields are expected to meet targets set, the quality of our results will be in part influenced by the price factors in the future. Nonetheless with the significant turnaround achieved over the last 2 years, the company expects to pick up from the momentum so gained to explore avenues to sustain this turnaround and to further strengthen its long term prospects.

On behalf of the Board, I wish to thank Mr. J. W. West, who resigned from the Board on 20th April, 1989, for his valuable contribution and dedicated service to the Board.

I would like to place on record the Board's recognition of the hard work and commitment of the management and employees of the company at all levels.

CHEW SING GUAN
Chairman

Penang, 11th September, 1989

Report of the directors

The directors present their sixty-sixth report together with the company's accounts for the year ended 31st. March, 1989.

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENT OF BUSINESS:

The principal activities of the company are the production of natural rubber and oil palm fruit (FFB) in Malaysia. There were no direct exports from the United Kingdom. A review of the development of the company's business is contained in the chairman's statement on pages 3 and 4.

LAND:

Details of the company's land are given on page 16.

The company's land and plantations, included in the balance sheet at a value of M$6,310,000 was a revaluation made by an independent professional valuer at 31st. March, 1984.

CROP:

The rubber crop harvested during the year was 714,500 kgs. compared with 682,000 kgs. for the previous year. The FFB crop harvested during the year was 1,254 tonnes as against 1,198 tonnes for the previous year.

RESULTS:

After deduction of replanting expenditure and interest expense the company achieved a profit of M$639,072 for the year compared with M$249,107 in the previous year. No dividend is proposed.

DIRECTORATE:

Mr. J. W. West resigned from the board of directors on 20th April, 1989.

In accordance with the Articles of Association, Mr. Chew Sing Guan will retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS:

The directors of the company during the year and the number of shares in which they or their families had an interest were as follows:-

	At 31st. March, 1989 Beneficially Owned	Other Interest	At 31st. March, 1988 Beneficially Owned	Other Interest
Chew Sing Guan	Nil	800,986	Nil	800,986
Tan Sri Datuk Hamzah Sendut	Nil	1,000	Nil	1,000
Zambri bin Haji Mahmud	Nil	1,000	Nil	1,000

The shares registered in the names of Tan Sri Datuk Hamzah Sendut and Messrs. Zambri bin Haji Mahmud totalling 2,000 shares, form part of the holdings of 800,986 shares shown above. The company has not received notification of any change in the above shareholdings between 1st. April, 1989 and 16th August, 1989.

CONTRACTS AND SUBSTANTIAL SHAREHOLDERS:

No director had any material interest in any contract or arrangement with company during the year ended 31st. March, 1989. At 16th August, 1989 substantial interests in the share capital of the company, notified to the company, were as follows:

Malayan Securities Trust Sdn. Berhad	46.75%
Buckmore Nominees Ltd.	5.54%

Mr. Chew Sing Guan has notified an interest in the shares held by Malayan Securities Trust Sdn. Berhad by reason of his shareholding in Erat Dinar Sdn. Berhad of which Malayan Securities Trust Sdn. Berhad is a subsidiary. The directors are not aware of any other beneficial holding of 5% or more in the share capital of the company.

TAXATION:

The company is resident in Malaysia for taxation purposes and is not subject to U.K. taxation.

AUDITORS:

Messrs. Ernst & Whinney have expressed their willingness to accept re-appointment as auditors and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

PLANTATION AGENCIES SDN. BERHAD
Secretaries

Penang, 11th September, 1989

Profit and loss account for the year ended 31st. March, 1989

	Note	1989 M$	1988 M$
Turnover	2	2,390,799	1,876,952
Cost of sales		1,472,004	1,356,220
Gross profit		918,795	520,732
Distribution costs		(183,808)	(90,200)
Administration costs		(39,986)	(68,623)
Net operating profit		695,001	361,909
Other income		11,682	6,252
Replanting expenditure		(16,668)	(22,461)
Interest payable		(49,975)	(96,593)
Loss on disposal of tangible fixed assets		(968)	—
Profit on ordinary activities before taxation	3	639,072	249,107
Taxation	4	—	—
Profit for the year	5	639,072	249,107
Earnings per 10p share	6	37.30 sen	14.54 sen

The notes on pages 10 to 14 form part of these accounts

Hidong Estate PLC
(Incorporated in England)

Balance sheet at 31st. March, 1989

	Note	1989 M$	1988 M$
FIXED ASSETS			
Tangible assets	7	6,626,265	6,603,650
CURRENT ASSETS			
Stocks	8	99,099	67,294
Debtors	9	190,713	212,110
Cash at bank and in hand		548,279	85,771
		838,091	365,175
Creditors: Amounts falling due within one year	10	(362,242)	(916,947)
NET CURRENT ASSETS/(LIABILITIES)		475,849	(551,772)
TOTAL ASSETS LESS CURRENT LIABILITIES		$7,102,114	$6,051,878
Creditors: amounts falling due after more than one year	10	(411,164)	—
		6,690,950	6,051,878
CAPITAL AND RESERVES			
Called up share capital	11	1,067,846	1,067,846
Revaluation reserve	5	4,948,548	4,948,548
Profit and loss account	5	674,556	35,484
		6,690,950	6,051,878

These financial statements were approved by the board on 11th September, 1989.

CHEW SING GUAN)
) Directors
ZAMBRI BIN HAJI MAHMUD)

The notes on pages 10 to 14 form part of these accounts

Statement of source and application of funds for the year ended 31st. March, 1989

	1989 M$	1988 M$
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	639,072	249,107
Adjustment for items not involving the movement of funds		
Depreciation of tangible fixed assets	42,880	38,498
Loss on disposal of tangible fixed assets	968	—
	682,920	287,605
Funds from other sources		
Proceeds from sale of tangible fixed assets	600	—
Term loan	700,000	—
	1,383,520	287,605
APPLICATION OF FUNDS		
Term loan repayments	(155,586)	—
Purchase of tangible fixed assets	(67,063)	(1,540)
NET INFLOW OF FUNDS	1,160,871	286,065
INCREASE IN WORKING CAPITAL		
Comprising movements in:-		
Stocks	31,805	2,230
Debtors	(21,397)	(9,195)
Creditors	(59,076)	(50,186)
Short term loans	747,031	291,309
Cash at bank and in hand	462,508	51,907
	1,160,871	286,065

Notes on the accounts — 31st. March, 1989

1. ACCOUNTING POLICIES

(a) Accounting basis

The accounts of the company are prepared under the historical cost convention, modified to include revaluation of land and plantations.

(b) Foreign currencies

Transactions in foreign currency are converted into Malaysian ringgit at rates ruling at the transaction dates. Assets and liabilities are converted at the rates prevailing at the balance sheet date except the share capital which remains at the historical rate. Exchange gains and losses are included in the profit and loss account.

(c) Replanting expenditure

Replanting expenditure is charged to profit and loss account.

(d) Replanting cess refunds

Replanting cess receivable is included in the accounts on an accruals basis.

(e) Depreciation of tangible fixed assets

No depreciation is provided on land and plantations as the cost of replanting is charged against profits. Depreciation of buildings, plant and equipment is provided by writing off the cost of individual assets over their estimated useful lives by equal annual instalments. The principal rates used are:-

Buildings	5%
Plant, equipment and furniture	10%
Motor vehicles	20%

(f) Stock and stores

Rubber stocks are valued at the lower of cost of production and net realisable value. Cost comprises the weighted average ex-estate cost and includes manufacturing charges where applicable. Estate stores are valued at cost on a weighted average basis. Cost includes the actual cost on materials and incidentals in bringing the items into store.

(g) Retirement benefits

No provision for retirement benefits is made in the accounts other than contributions to approved provident funds. Retirement benefits are charged to profit and loss account as and when paid.

(h) **Deferred taxation**

Provision is made for taxation which is deferred as a result of differences in treatment of certain items for accounting and taxation purposes if such differences appear likely to cause any material amount of tax to become payable in the foreseeable future.

2. TURNOVER

This represents the gross proceeds of rubber (F.O.B.) and oil palm fruit (del. mill) sold during the year.

Markets supplied were as follows:-

	1989 M$	1988 M$
Spain	169,602	94,167
France	493,894	267,777
Germany	285,097	462,281
Italy	112,243	243,871
Canada	239,952	84,325
Netherlands	56,514	97,710
Malaysia	1,033,497	626,821
	2,390,799	1,876,952

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging the following items:-

	1989 M$	1988 M$
Depreciation of tangible fixed assets	42,880	38,498
Directors' remuneration	3,959	3,761
Auditors' remuneration	5,500	5,500
Loss on disposal of tangible fixed assets	968	—

Directors remuneration is in respect of directors' fees for duties performed outside the United Kingdom.

4. TAXATION

There is no charge for Malaysian taxation in the current year as the unabsorbed losses and capital allowances brought forward exceed the chargeable income for the year.

No material amount of deferred taxation is likely to become payable in the foreseeable future due to unabsorbed losses and capital allowances exceeding the potential deferred taxation arising as a result of timing differences.

5. RESERVES

The movements on reserves during the year were as follows:-

	1989 M$	1988 M$
Revaluation reserve (non-distributable)		
At 1st. April	4,948,548	4,948,548
At 31st. March	4,948,548	4,948,548
Profit and loss account (distributable)		
At 1st. April	35,484	(213,623)
Profit for the year	639,072	249,107
At 31st. March	674,556	35,484
Total reserves	5,623,104	4,984,032

6. EARNINGS PER SHARE

This is based on the profit after taxation of M$639,072 and 1,713,334 shares in issue. (1988: M$249,107 and 1,713,334 shares in issue).

7. TANGIBLE FIXED ASSETS

	Land and plantations M$	Buildings, plant and equipment M$	Total M$
Cost or valuation			
At 1st. April, 1988	6,310,000	916,147	7,226,147
Deletions	—	(9,415)	(9,415)
Additions	—	67,063	67,063
At 31st. March, 1989	6,310,000	973,795	7,283,795
	M$	M$	M$
Depreciation			
At 1st. April, 1988	—	622,497	622,497
Deletions	—	(7,847)	(7,847)
Charge for the year	—	42,880	42,880
At 31st. March, 1989	—	657,530	657,530
being			
At valuation (March 1984)	6,310,000	—	6,310,000
At cost less depreciation	—	316,265	316,265
Net book value 31st. March, 1989	6,310,000	316,265	6,626,265
Net book value 31st. March, 1988	6,310,000	293,650	6,603,650

The net book value of fixed assets of M$6,626,265 includes an amount of M$51,255 in respect of assets held under finance lease.

Land and plantations:

The company's land is held under agricultural grants in perpetuity and is shown above as revalued in March 1984.

8. STOCKS

	1989 M$	1988 M$
Stock of rubber	79,143	61,287
Estate stores	19,956	6,007
	99,099	67,294

9. DEBTORS

	1989 M$	1988 M$
Due within one year		
Trade debtors	118,001	116,550
Other debtors	71,615	78,558
Prepayments	1,097	17,002
	190,713	212,110

10. CREDITORS

	1989 M$	1988 M$
Due within one year		
Trade creditors	37,157	40,776
Other creditors	138,996	129,140
Current portion of term loan	168,492	—
Short term loan	—	747,031
Finance lease	17,597	-
	362,242	916,947

	1989 M$	1988 M$
Repayable:		
Over one and under two years —		
Finance lease	35,242	—
Term loan	184,763	—
Over two and under five years —		
Term loan	191,159	—
	411,164	—

The term loan is secured by a fixed charge on the company's freehold land. It carries an interest rate of 3% per annum above the bank's cost of funds and is repayable over forty-eight equal monthly instalments inclusive of interest.

11. CALLED UP SHARE CAPITAL

	1989 M$	1988 M$
Authorised		
2,000,000 shares of 10p each £200,000	1,493,610	1,493,610
Issued and fully paid		
1,713,334 shares of 10p each £171,334	1,067,846	1,067,846

12. EMPLOYEES

	1989 M$	1988 M$
Costs during the year in respect of all employees were:-		
Wages and salaries	852,311	811,285
Social security costs	91,391	86,403
Other pension costs	—	—
The average number of persons employed during the year were:-		
Estate workers	213	215
Estate staff	4	4

Report of the auditors

We have examined the accounts of Hidong Estate PLC set out on pages 7 to 14. These have been prepared under the historical cost convention as explained in note 1(a). Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st. March, 1989 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Ernst & Whinney

ERNST & WHINNEY
Chartered Accountants

Penang, 11th September, 1989

Area at 31st March, 1989

		Hectares
Mature Rubber		
1959	17.7	
1960	87.7	
1961	40.7	
1962	71.9	
1970	25.1	
1971	40.5	
1975	56.3	
1976	48.6	
1977	26.3	
1981	16.2	
		431.0
Mature Oil Palm		
1979	23.1	
1980	28.4	
1981	26.4	
1984	38.4	
		116.3
Immature Oil Palm		
1987		12.3
		559.6
Plantable land		3.3
Nurseries		1.0
Building sites roads etc.		6.1
Wasteland and swamps		4.9
	Total area	574.9

Comparative statistics

Year ended 31st March	1989	1988	1987	1986	1985
BALANCE SHEET ANALYSIS	M$	M$	M$	M$	M$
Called up share capital	1,067,846	1,067,846	1,067,846	1,067,846	1,067,846
Reserves	5,623,104	4,984,032	4,734,925	4,799,216	5,131,853
Total shareholders' funds	6,690,950	6,051,878	5,802,771	5,867,062	6,199,699
Fixed assets	6,626,265	6,603,650	6,640,608	6,664,289	6,708,011
Net current assets/(liabilities)	475,849	(551,772)	(837,837)	(797,227)	(508,312)
Amounts falling due after more than one year	(411,164)	—	—	—	—
Capital employed	6,690,950	6,051,878	5,802,771	5,867,062	6,199,699
PROFITS					
Profit/(loss) before interest, replanting expenditure and taxation	705,715	368,161	99,493	(191,240)	(86,068)
Interest	49,975	96,593	112,946	82,977	63,662
Replanting expenditure	16,668	22,461	50,838	58,420	120,066
Taxation	—	—	—	—	—
Profit/(loss) after taxation	639,072	249,107	(64,291)	(332,637)	(269,796)
RUBBER					
Average mature area — hectares	453	464	458	455	460
Production kgs.	714,500	682,000	662,000	493,700	480,100
Yield per hectare — kgs.	1,579	1,471	1,445	1,084	1,042
Duty and research cess — sen/kg.	18.23	7.62	3.95	3.85	8.86
Overall cost of production — sen/kg. (FOB)	205.18	185.14	172.74	192.00	205.35
Average selling price — sen/kg. (FOB)	305.68	250.71	204.02	176.14	198.31
OIL PALM					
Average mature area — hectares	116	103	78	78	73
Production — tonnes FFB	1,254	1,198	737	566	233
Yield per hectare — tonnes FFB	11	12	9	7	3
Cost of production — M$ per tonne FFB (del. mill)	165.71	153.21	177.35	251.35	389.99
Average selling price — M$ per tonne FFB (del. mill)	186.90	139.28	77.96	139.41	236.57

Proxy Card

HIDONG ESTATE PLC

In block capitals

I/WE ....

of ....

being (a) member(s) of HIDONG ESTATE PLC hereby appoint # Mr. Chew Sing Guan or failing him, Encik Zambri bin Haji Mahmud (directors of the company) or failing him..
....as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on the 16th day of October 1989 and at any adjournment thereof, and thereat to vote as indicated below:-

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

Resolution relating to:-	For	Against
1. The adoption of reports and accounts		
2. The re-election of a director: Mr. Chew Sing Guan		
3. The appointment of auditors and authorising the directors to fix their remuneration.		

Dated this .... day of .... 1989.

Signature ....

If it is desired to appoint another person as a proxy, these names should be deleted and the name of the proxy, who need not be a member of the company, should be inserted in block capitals, and the alteration should be initialled.

This proxy to be valid, must be deposited at the head office of the company, Standard Chartered Bank Chambers, Beach Street, Penang, Malaysia not less than 48 hours before the time appointed for holding the meeting.

In the case of a corporation, the proxy must be executed under its common seal, or under the hand of a duly authorised officer. If executed under the hand of a duly authorised officer, evidence of such authority must be produced with the proxy card.

In the case of joint holders, the signature of any one joint holder is sufficient.

If neither "FOR" nor "AGAINST" is indicated above, the proxy will vote or abstain as he thinks fit.

Proxy Card

HIDONG ESTATE PLC

In block capitals

I/WE ....

of ....

being (a) member(s) of HIDONG ESTATE PLC hereby appoint # Mr. Chew Sing Guan or failing him, Encik Zambri bin Haji Mahmud (directors of the company) or failing him.. ....as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on the 16th day of October 1989 and at any adjournment thereof, and thereat to vote as indicated below:-

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

Resolution relating to:-	For	Against
1. The adoption of reports and accounts		
2. The re-election of a director: Mr. Chew Sing Guan		
3. The appointment of auditors and authorising the directors to fix their remuneration.		

Dated this .... day of .... 1989.

Signature ....

If it is desired to appoint another person as a proxy, these names should be deleted and the name of the proxy, who need not be a member of the company, should be inserted in block capitals, and the alteration should be initialled.

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In the case of joint holders, the signature of any one joint holder is sufficient.

If neither "FOR" nor "AGAINST" is indicated above, the proxy will vote or abstain as he thinks fit.