

# ANNUAL REPORT 2002

**DAMANSARA**

**REALTY BERHAD**

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## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty-first Annual General Meeting of DAMANSARA REALTY BERHAD will be held at Dewan Terbuka, Level 1, Block K, Pusat Bandar Damansara, 50490 Kuala Lumpur on 30 June 2003 at 10.00 a.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Audited Statement of Accounts and the Reports of the Directors and the Auditors for the year ended 31 December 2002;  
*(Resolution 1)*
2. To re-elect the following Directors who retire in accordance with Article 81 of the Company's Articles of Association:  
  
YBhg. Dato' Syed Alwi bin Syed Nasir *(Resolution 2)*  
  
Encik Mohd Qari bin Ahmad *(Resolution 3)*
3. To re-elect the following Directors who retire in accordance with Article 87 of the Company's Articles of Association:  
  
YBhg. Dato' Johari bin Mohamed *(Resolution 4)*  
  
YBhg. Datuk Yahya bin Ya'acob *(Resolution 5)*  
  
Puan Zainah bte Mustafa *(Resolution 6)*
4. To re-appoint Messrs. Hanafiah, Raslan & Mohamad as auditors of the Company and to authorise the Directors to fix their remuneration; and  
*(Resolution 7)*
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

By Order of the Board,

MOHAMED IZAHAM BIN ABDUL RANI (MIA 18613)  
JAMALLUDIN BIN KALAM (LS 02710)  
Secretaries

Kuala Lumpur  
9 June 2003

### Notes:

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead and such a proxy need not be a member of the Company. In the case of a corporate member, the instrument appointing a proxy must be either under common seal or under hand of its officer or attorney duly authorised.
- (ii) The instrument appointing the proxy must be deposited at the Registered Office of the Company at Level 3, Block C (South), Pusat Bandar Damansara, 50490 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

YBhg. Dato' Syed Alwi bin Syed Nasir (*Chairman*)  
Encik Mohd Qari bin Ahmad (*Managing Director*)  
Encik Kamaruzzaman bin Abu Kassim (*Executive Director*)  
YBhg. Dato' Johari bin Mohamed  
YBhg. Datuk Yahya bin Ya'acob  
Mr. Romesh Roy Joshi  
Encik Mohd. Zam bin Mustaman  
Encik Mohammad bin Alwi (resigned on 17 April 2003)  
Puan Zainah bte Mustafa (appointed on 17 April 2003)  
Encik Jamaludin bin Md. Ali (alternate to Puan Zainah)

### AUDIT COMMITTEE

Mr. Romesh Roy Joshi (*Chairman*)  
YBhg. Dato' Syed Alwi bin Syed Nasir  
Encik Mohammad bin Alwi (resigned on 17 April 2003)  
Puan Zainah bte Mustafa (appointed on 17 April 2003)

### COMPANY SECRETARIES

Encik Mohamed Izaham bin Abdul Rani  
Encik Jamalludin bin Kalam

### REGISTERED OFFICE

Level 3, Block C (South)  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Tel: (03) 27322695 Fax: (03) 27322696

### BANKERS

Bumiputra Commerce Bank Berhad  
Malayan Banking Berhad

### AUDITORS

Hanafiah, Raslan & Mohamad  
Level 23A, Menara Millennium  
Jalan Damanlela, Damansara Heights  
50490 Kuala Lumpur

### REGISTRARS

EPA Management Sdn. Bhd.  
Ulu Tiram Estate, KB 705  
80990 Johor  
Tel: (07) 8611611 Fax: (07) 8611701

### STOCK EXCHANGE LISTING

Main Board, Kuala Lumpur Stock Exchange

## DIRECTOR'S PROFILE

### YBHG. DATO' SYED ALWI BIN SYED NASIR *(Chairman)*

YBhg. Dato' Syed Alwi bin Syed Nasir, aged 58, Malaysian, was appointed to the Board as Chairman on 9 June 1998. He graduated from the University of Tasmania, Australia with a Bachelor of Economics in 1969. He was employed by Bank Bumiputra (M) Berhad from 1970 to 1974 where he became the Manager of Bank Bumiputra (M) Berhad, Batu Pahat Branch, Johore in 1974. In 1975, he read law at Lincoln's Inn, London where he obtained his Bar-at-Law in 1979, and was called to the Malaysian Bar in 1980. He returned to Malaysia and started the law firm under the name of Messrs. Syed Alwi, Ng & Teoh and in 1997 merged with Messrs. David Chong & Co.

### MOHD QARI BIN AHMAD *(Managing Director)*

Mohd Qari bin Ahmad, aged 49, Malaysian, was appointed as Managing Director of the Company on 1 September 1998. He graduated with a Master of Business Administration ("MBA") from University of Aston in Birmingham, United Kingdom ("UK") in 1983 and is a Fellow of the Institute of Chartered Secretaries and Administrators ("ICSA"), UK. He started his career in 1979 as a Chartered Secretary and subsequently joined Permata Merchant Bank Berhad (currently known as Affin Merchant Bank Berhad) ("AMB") in 1983 and finally progressed to the position of the General Manager of Corporate Finance and Advisory Division of the bank. In August 1996, he left AMB to venture into his own business of corporate advisory and consultancy. He sits on the Boards of Long Huat Group Berhad, Amtek Holdings Berhad and Lii Hen Industries Berhad, companies listed on the Kuala Lumpur Stock Exchange ("KLSE").

### KAMARUZZAMAN BIN ABU KASSIM *(Executive Director)*

Kamaruzzaman bin Abu Kassim, aged 39, Malaysian, was appointed as a Director on 11 December 1995. In August 1999, he was appointed as an Executive Director of the Company. He graduated with a Bachelor of Commerce majoring in Accountancy from the University of Wollongong, New South Wales, Australia in 1987. He started his career as an Audit Assistant with Messrs. K.E. Chen & Associates, in May 1988 and later, joined Coopers & Lybrand (currently known as Pricewaterhouse Coopers) in Johor Bahru. In December 1992, he left the firm and joined Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation) as a Deputy Manager of Corporate Finance Department. He left Johor Corporation in 1999 as General Manager, Corporate Finance to serve in his present position with the Company. He also sits on the Board of Long Huat Group Berhad.

### YBHG. DATO' JOHARI BIN MOHAMED *(Non-Independent Non-Executive Director)*

YBhg. Dato' Johari bin Mohamed, aged 56, Malaysian, was appointed as a Director of the Company on 6 August 2002. He graduated with a Bachelor of Science (Honours) degree in Mechanical Engineering from University of Strathclyde, Glasgow, Scotland in 1972. Prior to joining Johor Corporation as a Senior Engineer in 1976, he was a Mechanical Engineer with Public Works Department. He was appointed as Johor Corporation's Group Chief Operating Officer in 1989 and retired from Johor Corporation on 22 February 2001. Presently, he is a Director of Kulim (Malaysia) Berhad as well as several companies within Johor Corporation.

### YBHG. DATUK YAHYA BIN YA'ACOB *(Independent Non-Executive Director)*

YBhg. Datuk Yahya bin Ya'acob, aged 58, Malaysian, was appointed as a Director of the Company on 6 August 2002. He is also a Non-Executive Director on the Boards of IJM Corporation Berhad, UDA Holdings Berhad and Rumpun Hijau Capital Berhad. He was in Malaysian Administration and Discipline Services for more than thirty-two years, having served the last five years as the Secretary General of the Ministry of Works before his retirement in 1999.

## DIRECTOR'S PROFILE

His other postings in the civil service include being the Secretary General of the Ministry of Information (1991-1994), Secretary of the Ministry of Finance (Contracts Division) (1988-1991), Deputy Director of the Implementation & Coordination Unit, Prime Minister's Department (1986-1988) and Deputy Secretary of the Federal Treasury (Finance Division) (1976-1986).

### ROMESH ROY JOSHI (*Independent Non-Executive Director*)

Romesh Roy Joshi, aged 59, Malaysian, was appointed as a Director of the Company on 18 December 1998. He graduated from Lincoln's Inn, London, United Kingdom as a Barrister-at-Law in 1969. Upon returning to Malaysia in 1970, he became an Advocate and Solicitors of the High Court in Malaya and subsequently became a partner of W.Y. Chan & Roy. He sits on the Boards of several private limited companies in Malaysia.

### MOHD ZAM BIN MUSTAMAN (*Non-Independent Non-Executive Director*)

Mohd Zam bin Mustaman, aged 43, Malaysian, was appointed as a Director of the Company on 16 August 1999. At present, he is the General Manager (Corporate Affairs) of Johor Corporation and has served more than 20 years with Johor Corporation. He started his career as an in-house valuer in May 1982. He holds double degrees having graduated with a Bachelor of Surveying (Property Management)(Hons) from University of Technology, Malaysia in 1982 and a Bachelor of Laws (Hons) from the University of Wales at Cardiff in 1989. He is a qualified property consultant being registered as a Registered Real Estate Agent and Property Manager with the Board of Valuers, Appraisers & Estate Agents (Malaysia) since 1986, a member of The Institution of Surveyors Malaysia and has been admitted as an advocate and solicitor to the High Court of Malaya in 1993 and a member of the Commonwealth Lawyers Association since 1999. He also holds a Diploma in Valuation from UTM in 1980 and the Certificate in Legal Practice (Malaysia) in 1991. He is also a Commissioner for Oaths (Malaysia) since 1993. He also sits on the Boards of the various companies within the Johor Corporation Group.

### ZAINAH BTE MUSTAFA (*Non-Independent Non-Executive Director*)

Zainah bte Mustafa, aged 48, Malaysian, was appointed as a Director of the Company on 17 April 2003. She is a Fellow of the Association of Chartered Certified Accountants. In 1977, she joined Pernas as a Senior Audit Assistant. In 1978, she joined Johor Corporation as an Administration Officer in the Finance Division. She was promoted as an Accountant in 1980, Finance Manager in 1983, Deputy General Manager (Corporate Affairs) in 1987 and Group Financial Controller in 1988 before she retired as Group Financial Officer on 31 October 2002. She is also a Director of KPJ Healthcare Berhad, Kulim (Malaysia) Berhad and Johor Land Berhad. She also sits on the Boards of various companies within the Johor Corporation Group.

### JAMALUDIN BIN MD ALI (*Non-Independent Non-Executive Alternate Director*)

Jamaludin bin Md Ali, aged 45, Malaysian, was recently appointed as Alternate Director of the Company to Puan Zainah on 8 May 2003. He graduated with a B.Sc (Econs) (Honours) from University of Malaya and Master of Business Administration ("MBA") from University of Strathclyde, Glasgow, Scotland in 1998. He started his career with Malayan Banking Berhad as Trainee Officer in 1982. Later he served in various positions at Permodalan Nasional Berhad. He joined the Johor Corporation in 1991 and was appointed as Managing Director of Pelaburan Johor Berhad in 1996. He was appointed as Managing Director of Johor Capital Holdings Sdn Bhd in 1998. He is also a director of KPJ Healthcare Berhad and Kulim (Malaysia) Berhad. He also sits on the boards of various companies within the Johor Corporation Group.

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Forty First Annual Report and the Audited Accounts of Damansara Realty Berhad ("Company" or "DBHD") and its subsidiaries ("Group") for the financial year ended 31 December 2002.

## FINANCIAL PERFORMANCE

For the financial year under review, the Group registered a profit after tax and minority interest of RM28.3 million and a revenue of RM61.54 million as compared to a loss after tax and minority interest of RM85.7 million and a turnover of RM76.81 million in the preceding financial year. The profit in 2002 was attributable to property investment activities and the write back of a hotel property.

## OPERATIONAL OVERVIEW

### Property Investment

The property investment activities of the Group involves primarily Pusat Bandar Damansara ('PBD'), which is an integrated office and commercial complex consisting of 9 blocks of 6 and 7 storey buildings offering approximately 1.44 million sq. ft. of nett lettable area. The occupancy rates in PBD had improved from 83% in 2001 to 88% in 2002 principally due to the expansion by existing government tenants in PBD in particular, Kementerian Perumahan dan Kerajaan Tempatan ('KPKT') and Kementerian Pendidikan Malaysia ('KPM').

### Property Development

The property development activities of the Group in 2002 involves the development of 2,050 acres of freehold prime development land in Kuantan, Pahang known as Bandar Damansara Kuantan (BDK) and 223 acres of freehold prime development land in Tampoi, Johor Bahru under the name of Taman Damansara Aliff (TDA). BDK is developed by Damansara Realty (Pahang) Sdn Bhd (DRP), a 60% subsidiary of DBHD whilst TDA is developed through DBHD's wholly owned subsidiary, Damansara Realty (Johor) Sdn Bhd (DRJ).

In July 2002, DRP launched Phase 1A3 consisting a total of 182 units of single-storey semi-detached houses with an overall sales value of RM30.6 million. July 2002 also saw the completion and handing over of Phase 1A2 consisting of 219 units of single storey terraced and semi-detached houses, achieving an overall sales value of RM19.3 million. Launched in July 2000, Phase 1 A2 was the maiden development parcel in BDK. Launched at the same time were 82 units of bungalow lots with an overall sales value of RM6.5 million of which all but one lot had been sold. In 2002 alone, 40 units of bungalow lots were sold. In 2002, a further 14 units of bungalow lots with estimated sales value of RM1.2 million were offered to the public.

There was no sales activity for TDA in 2002 as its maiden official launch was only made in February 2003. Towards the end of 2002, DRJ had primarily focused on statutory approvals, designs and documentation, marketing strategies and land matters relating to the development of TDA in gearing for its maiden launch. In addition, 2002 saw the completion of the earthworks for the entire development and four fully furnished show units of double storey houses under Phase 1A and 1B.

### Construction and Property Management

DRP Construction Sdn Bhd, the construction and property management arm of the Group had completed and handed over a school known as Sekolah Menengah Seri Kuantan in BDK to Ministry of Education (MOE) in July 2002. The project was a design and built contract for the said school valued at RM22.5 million from the MOE.

# CHAIRMAN'S STATEMENT

## CORPORATE DEVELOPMENT

On 5 August 2002, the Company made the announcement on the revised Proposed Reconstruction and Restructuring Scheme pursuant to, amongst others, the signing of the relevant sales and purchase agreements in relation to the scheme which was entered into by the Company and Johor Corporation (JCorp) for the acquisition of "A" Redeemable Convertible Preference Shares ("RCCPS") as well as with Johor City Development Sdn Bhd (JCD), a wholly owned subsidiary of JCorp, for the acquisition of Rights to Allotment of "B" RCCPS and TDA.

The RM400 million Bank Guarantee Facility of JCD was successfully restructured as part of the Corporate Restructuring Master Plan (CRMP) of JCorp in the financial year 2002. Consequently, DBHD has been released from the responsibility as the joint obligor on the said facility and the charge on several of the Group's assets has been lifted or reassigned back to DBHD.

On 5 February 2003, the Company announced that the submissions to the relevant authorities relating to the restructuring scheme will be made by 5 June 2003. However, the Board has decided to postpone the said submissions to a later date. The postponement will allow the Board the opportunity to review several key assumptions contained in the profit and cashflow forecast and projections of the Group relating to its financial commitments due in 2005. The Board will be reviewing the key assumptions with its advisers. It is anticipated that an announcement as to the outcome of the review and decisions will be made within 3 months of the date of this report.

## PROSPECTS

Despite geopolitical uncertainties and the impact of the Severe Acute Respiratory Syndrome (SARS) outbreak on economic activity, the World Bank has stated that the Malaysian economy would achieve a gross domestic product (GDP) growth of 4.2% in 2003. It said that strong economic fundamentals gave the country greater flexibility to sustain economic recovery. The property sector is anticipated to benefit from the sustained economic growth following the measures by the Government to promote the property sector in its recently announced stimulus package.

Despite the weaknesses in the residential property sector of Johor Bahru, the Board is confident that its development of TDA will be successful given its strategic location, freehold status and DRJ's commitment to provide quality residential units with value for money. As an indication, the maiden launch of TDA under Phase 1A and 1B consisting of 257 units of double storey terraced houses in February 2003 have recorded encouraging response with around 40% sold as at mid April 2003.

Taking into consideration the current economic scenario as well as the nature of the property market in Kuantan, the Development Master Plan for BDK was revamped in 2002. Affordable residential housing forms bulk of the development parcels within the revamped Master Plan with the exclusion of industrial parcels and creating niche-housing parcels located at prime locations in BDK. The revamped Master Plan was submitted in October 2002 and was subsequently approved by the statutory authorities in March 2003. DRP is currently preparing for the launch of bungalow lots and shop offices units at BDK.

In the next few years, PBD is expected to face a challenging environment given the substantial oversupply in the office sector and the threat of the relocation of government tenants to Putrajaya. Accordingly, the continuing efforts in upgrading the facilities vis-a-vis the image and perception of PBD as a premier commercial hub within Damansara Heights and increased marketing efforts will be the primary tasks of the Group over the next few years.

## CHAIRMAN'S STATEMENT

### ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our gratitude to Encik Mohammad bin Alwi who had resigned from the Board in 17 April 2003 for the services he had rendered to the Group and to welcome Dato' Johari bin Mohamed, Dato' Yahya bin Ya'acob, Puan Zainah bte Mustafa and her alternate, Encik Jamaludin bin Md. Ali to the Board.

On behalf of the Board, I would like to thank the management and staff for their continued support and contribution. We would also like to express our appreciation to our shareholders for their patience and continued support during these difficult times, particularly Johor Corporation for its successful restructuring of the RM400 million Bank Guarantee Facility of JCD which has enabled DBHD to continue with its own restructuring scheme aimed at placing the DBHD Group on a stronger financial footing. The Board would also like to thank business associates, financiers and regulatory authorities for their continued support.

DATO' SYED ALWI BIN SYED NASIR

Chairman

30 May 2003

# AUDIT COMMITTEE REPORT

## 1. COMPOSITION OF MEMBERS

The members of the Committee are :-

Chairman :

Mr. Romesh Roy Joshi  
*(Independent Non-Executive Director)*

Members :

1. YBhg. Dato' Syed Alwi bin Syed Nasir  
*(Independent Non-Executive Director)*
2. Encik Mohammad bin Alwi - Resigned on 17 April 2003  
*(Non-Independent Non-Executive Director)*
3. Puan Zainah bte Mustafa- Appointed on 17 April 2003  
*(Non-Independent Non-Executive Director)*

Membership

1. The Committee members are appointed amongst its Directors which fulfils the following requirements:

- The Audit Committee must be composed of not fewer than 3 members
- A majority of the members must be independent Directors
- At least one of the Audit Committee
  - Must be a member of the Malaysian Institute of Accountants (MIA) or ;
  - If he is not a member of MIA, he must have at least three (3) years working experience and;
    - a) he must have passed the examination specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - b) he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967
  - Pursuant to paragraph 7.0 of the KLSE's Practice Note No.13/2002 and with effect from 1/1/2003, it is prescribed that the following qualifications are also acceptable :
    - a) A degree /masters/doctorate in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
    - b) At least 7 years experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

# AUDIT COMMITTEE REPORT

2. The Chairman shall be selected by the members of the Audit Committee from among their numbers who shall be an Independent Director. No alternate Director shall be appointed as a member of the Audit Committee.
3. If a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.
4. The terms of office and performance of the Audit Committee shall be reviewed by the Board of Directors at least once every three years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

## 2. MEETINGS

1. The Committee shall meet at least four times in a year to discuss any matters raised by the Auditors in discharging their functions. The quorum for a meeting of the Audit Committee shall be two of which the majority must be independent directors.
2. The Head of Internal Audit shall be in attendance at meetings of the Committee. The Committee may invite the External Auditors, the Head of Treasury, Head of Accounts, any other Directors or members of the management and employees of the Group to be in attendance during meetings to assist in the deliberations.
3. The Chairman shall upon the request of the External Auditors, convene a meeting of the committee to consider any matter the External Auditors believes should be brought to the attention of the Directors or shareholders.
4. The External Auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the committee.
5. The Company Secretary shall be the Secretary of the Committee and is responsible for the coordination of administrative details including calling the meetings, voting and keeping of minutes.

### Frequency of Meetings

The Committee met five (5) times during the financial year. The records of attendance in respect of the Audit Committee meetings for the financial year under review are as follows :

Members Of Audit Committee	Attendance
Mr. Romesh Roy Joshi (Chairman)	5/5 (100%)
YBhg Dato' Syed Alwi bin Syed Nasir	5/5 (100%)
Encik Mohammad bin Alwi (Resigned on 17 April 2003)	4/5 (80%)
Puan Zainah bte Mustafa (Appointed on 17 April 2003)	Not Applicable

# AUDIT COMMITTEE REPORT

## 3. TERMS OF REFERENCE

### Objectives

1. To assist the Board in discharging its responsibilities relating to the Group and the Company's management of principal risks, internal controls, corporate governance, financial reporting and compliance of statutory and legal requirements.
2. To provide, by way of regular meetings, a line of communication between the Board of Directors, senior management and external auditors.
3. To provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is independent of the management.
4. To review the quality of the audits conducted by the internal and external auditors of the Company.

### Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors :

1. Have the authority to investigate any matter within its terms of reference.
2. Have the resources, which are required to perform its duties.
3. Have full, free and unrestricted access to any information, records, properties and personnel of the Company and any other companies within the Group.
4. Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
5. Be able to obtain independent professional or other advice.
6. Be able to convene meetings with the external auditors, without the presence of the executive members, whenever deemed necessary.

### Duties and Responsibilities

1. To recommend the nomination of a person or persons as auditors together with such other function as may be agreed by the Audit Committee and the Board of Directors.
2. To discuss and review with the external auditors any proposal from them to resign as auditors.
3. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their audit reports.
4. To review the external auditor's Management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.

## AUDIT COMMITTEE REPORT

5. To review the quarterly results and year-end financial statements of the Company and the Group, and to recommend the same to the Board for approval whilst ensuring that they are prepared in a timely and accurate manner complying with all applicable accounting and regulatory requirements. The review should also focus on:
  - Any changes in or implementation of major accounting policy
  - Major judgement areas, significant and unusual events
  - Significant adjustments arising from the audit
  - The going concern assumptions
6. To review with the external and internal auditors whether the employees of the group have given them appropriate assistance in discharging their duties.
7. To approve the internal audit charter and audit plan and ensure that the internal audit function is adequately resourced and have appropriate standing in the Group.
8. To review the internal audit function and the results of the internal audit programme or investigation undertaken and whether or not management has taken appropriate action on the recommendation made by the internal auditors.
9. To review any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.
10. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.
11. To receive reports and deliberate on the implementation of the risk-control process and the progress of risk management activities undertaken by the Group.
12. To perform any other functions as authorized by the Board.

#### 4. ACTIVITIES OF AUDIT COMMITTEE

The following activities were performed by the Audit Committee during the financial year ended 31 December 2002 :

1. Reviewed and approved the annual Audit Plan for the calendar year 2002. In its review of the annual Audit Plan, the Audit Committee reviewed the scope and coverage over the activities of the respective business units/operations of the Group and the Internal Audit's basis of assessment and risk rating of the proposed areas of audit.
2. Reviewed and deliberated on the audit findings and issues highlighted from the audit assignments and follow-up audits conducted by the Internal Audit Division. The audit findings and issues being reviewed amongst others covered areas such as the Group's cash flow, the adequacy of control over the property management operation of an associated company and inter-company transactions and reconciliations.
3. Reviewed and appraised the adequacy and effectiveness of Management response and action in resolving the audit issues reported.

# AUDIT COMMITTEE REPORT

4. Reviewed the audit findings and risk analysis on each audit assignment and emphasized on follow-up audits to ensure that appropriate corrective actions are taken and recommendations of the Internal Audit are implemented.
5. Reviewed the unaudited quarterly financial results for the Board's approval prior to submission to the authority.
6. Reviewed the recurrent related party transactions of a revenue or trading in nature undertaken by the Company or its subsidiaries and the related parties prior to obtaining the Proposed Shareholders' Mandate to approve such transactions.

## 5. INTERNAL AUDIT FUNCTION

The Group's Internal Audit Division & Risk Management carries out the internal audit function for the Group. The Head of Internal Audit ultimately reports to the Audit Committee but also reports to the Managing Director on day-to-day administrative matters. The Internal Audit function is responsible in providing independent, objective assurance and consulting activity designed to add value and improve the Group's operation. It helps the Group accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Although the organizational status of the Internal Audit function is independent from the operation, it cannot help to be separate and distinct from the organization. The Head of Internal Audit regularly attends the Management meetings and provide his views and opinions especially on control issues. The Internal Audit & Risk Management is also responsible in coordinating the works of formulating the internal control policies and procedures as well as spearheading the risk management activities for the Group. All these activities are designed to add value of the internal audit function to the Group.

Throughout the financial year under review a number of audit assignments and follow-up audits were carried out on the Company's business units/operations and a subsidiary company. These assignments were carried out in accordance with the Annual Audit Plan or as special ad-hoc audit at Management's request. The resulting reports of the audits undertaken were presented to the Audit Committee for its review which highlighted critical and high -risk areas that have significant and material impact on the Group's performance. In addition, the reports addressed routine financial activities with specific emphasis on the system of internal control within the Group. Specifically, the internal audit exercise during the financial year under review covered the following areas:

- Group cash flow
- Property management operation undertaken by an associated company
- Inter-company transaction and reconciliation
- Investigation on the alleged misconduct of technical/maintenance personnel

# STATEMENT OF CORPORATE GOVERNANCE

The Board of DBHD is pleased to report to the shareholders in particular and other stakeholders in general on the manner the Company has applied the Principles as set out in Part 1 of the Malaysian Code on Corporate Governance ("the Code") as well as the extent of compliance with the Best Practices as set out in Part 2 of the Code. This disclosure is made pursuant to Paragraph 15.26 of the Listing Requirements of Kuala Lumpur Stock Exchange. Any requirements where the Company has not complied with are explained in the report.

## 1. BOARD OF DIRECTORS

### Composition, Balance and Responsibilities

The Board led by an Independent Non-Executive Chairman, is made up of eight (8) members, comprising three (3) Independent Non-Executive Directors (including the Chairman), three (3) Non-Independent Non-Executive Directors, and two (2) Executive Directors. This is in compliance with Paragraph 15.02 of the KLSE Listing Requirements that requires at least one-third of the Board comprise independent Directors. In the opinion of the Board, the number of members is sufficient and fairly reflects the investment in the Company by the shareholders apart from the largest shareholder. The Board having reviewed its size and composition is also satisfied that its current size and composition is effective for the proper functioning of the Board.

The roles of the Chairman and the Managing Director are distinct and separate with responsibilities clearly drawn out to ensure a balance of power and authority. Generally, the Executive Directors are responsible for making and implementing operational and corporate decisions. Nevertheless, Non-Executive Directors also play equally important roles, contributing their knowledge and experience, in examining and analyzing the proposed course of actions in the decision-making process. The Board also identified YBhg Dato' Syed Alwi bin Syed Nasir as the senior Independent Non-Executive Director to whom concerns of shareholders, management and others may be conveyed.

### Supply of Information

The Board has unrestricted access to timely and accurate information on various aspects of the Company's operations and performance. All Board reports are normally issued in sufficient time to all Directors to enable the Directors to review the reports prior to the Board meeting and understand the issues to be discussed. In addition, the Board has unrestricted access to the advice and services of the Company Secretary and where necessary, in the furtherance of their duties, obtain independent professional advice at the Company's expense.

### Board Committee

The Company does not have a Nomination Committee as all new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient caliber and experience. The process of assessing the Directors is an on going responsibility of the entire Board. The Company has also established a Tender Committee at Board level comprising both Independent/Non-Executive and Executive Directors. The function of the said Tender Committee is to evaluate, deliberate and approve the recommendation made by the Management prior to awarding of major contracts and tenders to the potential contractor.

The Members of the Tender Committee are :

Chairman :

YBhg. Dato' Johari Bin Mohamad (*Non-Independent Non-Executive Director*)

Members :

1. Encik Kamaruzzaman bin Abu Kasim  
(*Executive Director*)
2. Mr Romesh Roy Joshi  
(*Independent Non Executive Director*)
3. Encik Mohd Zam bin Mustaman  
(*Non Independent Non Executive Director*)

# STATEMENT OF CORPORATE GOVERNANCE

## Board Meeting

The Board meets at least four (4) times a year and additional meetings are held as and when required. Certain schedule of matters such as acquisition and disposal of assets of the Company or subsidiaries that are material, investment in capital projects and level of authority are specifically reserved to the Board for decision.

A total of six (6) Board of Director's Meetings were held during the financial year ended 31 December 2002. Details of attendance of Directors at the Board Meetings are as follows:

Directors	Non-Executive	Independent	Attendance
YBhg. Dato' Syed Alwi bin Syed Nasir (Chairman)	Yes	Yes	6/6 (100%)
Encik Mohd. Qari bin Ahmad	No	No	6/6 (100%)
Encik Kamaruzzaman bin Abu Kasim	No	No	6/6 (100%)
YBhg. Dato' Johari bin Mohamed (Appointed on 6 August 2002)	Yes	No	2/2 (100%)
YBhg. Datuk Yahya bin Ya'acob (Appointed on 6 August 2002)	Yes	Yes	1/2 (50%)
Mr. Romesh Roy Joshi	Yes	Yes	6/6 (100%)
Encik Mohd. Zam bin Mustaman	Yes	No	5/6 (83%)
Encik Mohammad bin Alwi (Resigned on 17 April 2003)	Yes	No	5/6 (83%)
Puan Zainah bte Mustafa (Appointed on 17 April 2003)	Yes	No	Not Applicable

## Re-Election of Directors

Paragraph 7.28 of the KLSE Listing Requirements requires all Directors to submit for re-election once at least in each three (3) years. The retiring Directors who are standing for re-election at the forthcoming annual general meeting are as follows:

Re-election in accordance to Article 81 of the Company's Articles of Association:

- YBhg. Dato' Syed Alwi bin Syed Nasir
- Encik Mohd Qari bin Ahmad

Re-election in accordance to Article 87 of the Company's Articles of Association:

- YBhg. Dato' Johari bin Mohamed
- YBhg. Datuk Yahya bin Ya'acob
- Puan Zainah bte Mustafa

## Directors' Training

During the financial year under review all of the Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by Research Institute of Investment Analysis Malaysia (RIIAM).

# STATEMENT OF CORPORATE GOVERNANCE

Apart from the MAP for Directors of Public Listed Companies advocated by the Kuala Lumpur Stock Exchange (KLSE), DBHD encourages its Directors to attend training programmes on a continuous basis to enhance their understanding of the Group's business and operations and to keep abreast with current developments.

## Directors' Remuneration

The Company does not have a Remuneration Committee.

The Company's remuneration scheme for Executive Directors is linked to performance, seniority, experience and scope of responsibility and is benchmarked to market/industry standards. For Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by them.

Other than Managing Directors, all Directors are paid a fixed fee and receive meeting allowance for each Board and Committee meeting they attend. Directors' fees are subject to approval by the shareholders. The Chairman is paid a higher fee compared to other Board members in recognition of his additional responsibilities. The Managing Director's remuneration is contractual and reflects the Board's recognition of his skills and experience in the Company. The Company is currently undergoing a restructuring exercise and the Board is of opinion that it is best to establish the Remuneration Committee after it completes the said exercise. The Breakdown of Directors' remuneration for the financial year ended 31 December 2002 is shown on page 48.

## 2. SHAREHOLDERS RELATION

### Relationship with the Shareholders and Investors

The Group recognizes the importance of establishing a direct line of communication with shareholders and investors through timely dissemination of information on the Group's performance. Dissemination of information includes the distribution of annual report and relevant circulars to shareholders, issuance of press releases, announcing the quarterly financial results and performance of the Company to KLSE and the public as well as holding press conferences. The Company is also in the process to establish its own website to enable the shareholders in particular and other stakeholders in general to be better informed of the Company's general information, performance as well as progress of its projects and activities undertaken.

### Annual General Meeting (AGM)

The AGM is the principal forum for dialogue with shareholders. Notice of the AGM and annual reports are sent out at least 21 days before the date of the meeting. The Chairman and the Board encourage shareholders to attend and participate in the AGM held annually. The shareholders are given the opportunity to seek clarification by making use of the Question and Answer session during the AGM on any matters pertaining to the business and financial performance of the Company.

## 3. ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors of DBHD are dedicated in their responsibility over the Group's financial statements. All results released to the public are tabled and deliberated at the Audit Committee meetings and subsequently approved by the Board to ensure that they present a balanced and understandable assessment of the Group's performance and prospects. The quarterly results announcements and the press release on these results reflects the Board's commitment to give regular updated assessments on the Group's performance.

### Director's Responsibility Statement for Preparing the Financial Statement

Pursuant to Paragraph 15.27(a) of the KLSE Listing Requirement, all the Company's Directors are collectively responsible in ensuring that the financial statements are drawn up in accordance with the approved accounting standards adopted by Malaysian Accounting Standards Board (MASB), the provisions of the Companies Act, 1965 and the Listing Requirements of the Kuala Lumpur Stock Exchange.

# STATEMENT OF CORPORATE GOVERNANCE

It is the responsibility of the Directors to ensure that the financial reporting of the Group present a true and fair view of the state of affairs of the Company and its subsidiary companies as of the end of the financial year together with the financial results and cash flows for the year ended.

The Directors have applied the appropriate and relevant accounting policies on a consistent basis and made judgements and estimates that are reasonable and fair in preparing the financial statements of the Company and of the subsidiaries. The financial statements are also prepared on the going concern basis and the Directors have assured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

## 4. OTHER INFORMATION

### Conflict of Interest

None of the Directors have any family relationship with other Directors and/or major shareholders of the Company, nor any personal interest in any business arrangement involving the Company.

### Material Contracts Involving Directors and Substantial Shareholders

#### a. Material Recurrent Related Party Transaction

Other than as disclosed in Note 6 to the Financial Statements for the year ended 31 December 2002 on page 49, none of the Directors have any material contracts with the Company and/or subsidiaries during the financial year under review.

#### b. Material Related Party Transaction

Other than those disclosed below, none of the substantial shareholders have any material contracts with the Company and/or subsidiaries during the financial year under review :-

- On 5 August 2002, DBhd entered into a conditional sale and purchase agreement with Johor Corporation ("JCorp") for the proposed acquisition of 177,000,000 "A" Redeemable Convertible Cumulative Preference Shares ("RCCPS") of RM0.01 each in Damansara Town Centre Sdn Bhd ("DTCSB") by Newco from JCorp for a purchase consideration of RM169,590,546 to be satisfied by the issuance of 169,590,546 new Shares in Newco at an issue price of RM1.00 per Share. Newco is a company to be incorporated to assume the listing of DBhd pursuant to the proposed reconstruction and restructuring exercise of DBhd as set out in note 38 to the Financial Statements for the year ended 31 December 2002 on page 82.
- On 5 August 2002, DBhd entered into a conditional sale and purchase agreement with Johor City Development ("JCD"), a wholly-owned subsidiary of JCorp, for the proposed acquisitions of the following by Newco from JCD: -
  - a) the Rights to Allotment for a purchase consideration of approximately RM380,203,488 pursuant to the Proposed Conversion Of "B" RCCPS. The purchase consideration is to be satisfied as follows :-
    - issuance of 65,566,736 new Newco Shares at an issue price of RM1.00 per Share;
    - issuance of RM196,700,208 nominal value of Irredeemable Convertible Unsecured Loan Stock ("ICULS") A;
    - assignment of the amount due and owing to DBhd by several vendors of certain assets of approximately RM95,787,841 to JCD. The debt are made up of deposits paid by DBhd to the Vendors pursuant to the sale and purchase agreements entered into between DBhd and the Vendors on 2 December 1997 which were subsequently terminated ("Deposits");

## STATEMENT OF CORPORATE GOVERNANCE

- an amount of RM4,825,280 to be set-off entirely against the amount due and owing by JCD to DBhd of RM4,825,280 as at 31 December 2001; and
  - the remaining RM17,323,423 to be set-off by assigning to DBhd / Newco the entire amount due to DTCSB by JCD of RM17,323,423 as at 31 December 2001.
- b) the TDA Land for a purchase consideration of RM180,000,000 to be satisfied by the issuance of 45,000,000 new Newco Shares at an issue price of RM1.00 per Share and RM135,000,000 nominal value of ICULS-A.
- On 10 October 2002, the Company entered into a Deed of Assignment with its subsidiary, Damansara Realty (Johor) Sdn Bhd ("DRJ") for the purpose of assigning all the Company's rights, title and interest in the said Land together with its appointment as the developer of the TDA Land to DRJ for a consideration of RM1.00.
  - On 18 October 2002, DRJ had entered into Development Agreement with JCorp for the purpose of development of TDA which amongst others, primarily, requesting JCorp as the registered proprietor to execute all documents agreements pertaining to the land and development project.

### Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies other than traffic offences.

### Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

### Share Buyback

The Company has not been authorised by shareholders to purchase its own shares and has not purchased any of own shares during the financial year. As such, there are no shares being retained as treasury shares by the Company.

### Options, Warrants or Convertible Securities

During the year under review, the Company has not issued any options to any parties to take up unissued shares in the Company.

During the year under review, the Company has not issued any warrants or convertibles to any parties.

### American Depository Receipt (ADR) and Global Depository Receipt (GDR) Programme

During the year under review, the Company did not sponsor any ADR or GDR programme.

### Non-Audit Fees

Non-audit fees totalling RM226,000 were paid to the external auditors during the financial year for the provision corporate tax advisory and planning, risk management framework etc.

### Profit Forecast

No profit forecast was issued by the Company during the financial year. There is no significant variance between the results for the financial year and the unaudited results previously released by the Company.

### Profit Guarantees

During the year, there were no profit guarantees given by the Company.

# STATEMENT OF INTERNAL CONTROL

## Introduction

Paragraph 15.27(b) of the KLSE Revamped Listing Requirements requires Directors of listed companies to include a statement in the annual reports on the state of the Company's internal control. The Code of Corporate Governance amongst others requires the Board to identify the Group's critical business risks and implement a system to manage these risks as well as to review the adequacy and the integrity of the Company's internal control system.

## Responsibility

The Board acknowledges its responsibility in instituting a system of internal controls that covers all aspects of the business including strategic, commercial, operational and financial areas. It recognizes that reviewing the Group's system of internal control is concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system effected by the Company's Board and Management, can only provide reasonable but not absolute assurance with regard to the achievement of the Company's objective.

## Risk Management Process

The Board believes that internal control is a process, effected by the Company's Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of the following objectives:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of the Group's assets

The purpose of the internal control system is to control and manage risks. In order to properly manage risks, the Board recognizes the fact that an appropriate and sound system of internal control should include the following FIVE (5) elements, which are elaborated below: -

### 1. Control Environment

The control environment sets the tone of the organization and influences the control consciousness of its people. It is the foundation for all components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the people; management's philosophy and operating style; the way the management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the Board of Directors.

The Group is committed in ensuring that a proper control environment is maintained. Amongst the measures taken are:

- The Group's Risk Management Policy has been formulated to guide the personnel in identifying, assessing, managing and reporting the risks. The Group's Policies and Internal Control Procedures on property development and property management activities have also been formulated and distributed to all personnel. The said policies and procedures, amongst others, define the authority, responsibility and accountability of the relevant personnel. An improvement to the policies and procedures with regard to its practicability and control shall be continuously made when the needs arise.

# STATEMENT OF INTERNAL CONTROL

- Certain matters such as acquisition and disposal of assets of the Company or subsidiaries that are material, investment in capital projects and level of authority are specifically reserved to the Board for decision
- The Ethical Code of Conduct of the Company's major shareholder has been adopted and practiced by the Group as a guidance to the personnel in their day-to day conduct of the business transactions
- Human Resource Policies and Procedures and a performance reward system is in place but a review needs to be carried out to reflect the current scenario and needs
- Quality Management System will also be introduced to focus on the importance of delivering high quality products and services

## 2. Risk Assessment Framework and Activities

The Board is aware that every organization faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and are internally consistent. Risk assessment is the identification and analysis of relevant risks to achieve the objectives and forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

In order to ensure that the Board is satisfied that the key business risks have been identified and are being addressed; a group wide Risk Management Framework is currently in the process of being established. The Company had appointed an external risk consultant to assist in identifying and assessing the business risks, formulating a group wide risk management policy as well as documenting the Policies and Internal Control Procedures for property development and property management activities. A workshop involving key personnel to discuss on the said framework was also held. The objective of the workshop was to obtain a consensus on the significance and the likelihood of business risks that may affect the Group as a whole.

As a result, from the workshop the Group managed to come out with a risk profile of TWENTY (20) types of business risks that may have the possibility to significantly affect DBHD Group of companies from achieving its business objectives or executing its strategies successfully. Among the top five (5) major risks are:

- Cash Flows
- Business Viability
- Human Resource
- Investment and Project Evaluation
- Communication

In addition to the above, the following activities are to be implemented with a view to complete the risk-control processes:

- Establishing the Risk Management Oversight Structure,
- Formalizing the Risk Management Executive Committee's (RMEC) functions and members
- Formalizing the reporting frequency and requirements from risk owners
- Carrying out a briefing session for relevant personnel within the Group of their responsibilities on risk and control process
- Acquiring suitable risk management solutions to facilitate the risk management process

# STATEMENT OF INTERNAL CONTROL

## 3. Control Activities

Control activities help to ensure that necessary actions are taken to address risks that may hinder the achievement of the organization's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Key control activities currently undertaken by the Group are:

- Regular review of comprehensive information/reports which are being provided by the Management to the Board covering financial and operational performance and key business indicators
- Regular Management meetings are conducted to obtain feedbacks on the progress of activities undertaken by the operating/business units in order to rectify any shortcomings or problems affecting the implementation plan
- Visits to operating/business units by members of the Board and senior management
- Regular internal audit visits are carried out to appraise and review the system of internal controls to ensure that these controls are effective and working as intended
- Monthly reconciliation of inter-company balances, for example, is being conducted to ensure that all transactions are accounted for
- Safeguarding of assets is being maintained. For example adequate insurance coverage is taken to cover the Company's major assets against the risk of fire.
- Segregation of duties and physical security of assets (e.g. limit access to assets, systems and records; establish clear control of assets and custodial responsibility).

## 4. Information and Communication Process

Pertinent information must be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Information system produces reports, containing operational, financial and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting.

Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

As far as the information and communication on risk-control process is concerned the Audit Committee has been identified, as the forum where the relevant, timely and reliable reports on the risk management activities shall be reported.

## STATEMENT OF INTERNAL CONTROL

### 5. Continuous Monitoring Process on the Adequacy and Integrity of the System of Internal Control

The Board recognizes the fact that internal control systems need to be monitored- a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of both. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to the top management and the Board.

The internal control system is subject to continuous reviews from the Board, Management and the Group's Internal Audit Division. The Management provides regular and comprehensive information/ reports to the Board covering financial performance and key business indicators. The Group's Internal Audit Division has been in existence and is independent of its activities it audits. The said department reports to the Audit Committee and performs regular reviews of business processes to assess the effectiveness of the internal controls. The internal audit department also conducts its audit visit to key business units of the Group on a planned basis and issues audit report on its findings and recommendations for the review of the Audit Committee. The Audit Committee conducts a review on the results of the internal audit programme or investigation undertaken and determines whether or not management has taken appropriate action on the recommendation made by the internal auditors. Further information on the Group's Audit Committee and internal audit function is as per pages 9 to 13.

## DIRECTOR'S REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of full corporate, administrative and financial support to its subsidiaries and associated companies.

The principal activities of the subsidiaries are described in Note 13 to the financial statements.

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

RESULTS	Group RM'000	Company RM'000
Profit after taxation	24,479	24,609
Minority interests	3,843	-
Net profit for the year	<u>28,322</u>	<u>24,609</u>

There were no material transfers to or from reserves or provisions.

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

- (a) the effect arising from the write back of the Group's hotel property resulting in a gain of RM30,082,000 to the Group as disclosed in Note 10 to the financial statements.
- (b) the effect arising from the write back of an investment in subsidiary resulting in a gain of RM30,082,000 to the Company as disclosed in Note 13 to the financial statements.

### DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividends in respect of the current financial year.

# DIRECTOR'S REPORT

## DIRECTORS

The directors who served since the date of the last report are:

Dato' Syed Alwi bin Syed Nasir  
Mohd. Qari bin Ahmad  
Kamaruzzaman bin Abu Kassim  
Dato' Johari bin Mohamed (appointed on 6 August 2002)  
Datuk Yahya bin Ya'acob (appointed on 6 August 2002)  
Mohd. Zam bin Mustaman  
Romesh Roy Joshi  
Mohammad bin Alwi

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 5 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' INTERESTS

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

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would:
- (i) render the amount written off as bad debts or provided for as doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## DIRECTOR'S REPORT

- (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 or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are as disclosed in Note 34 to the financial statements.

### AUDITORS

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

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

MOHD. QARI BIN AHMAD

KAMARUZZAMAN BIN ABU KASSIM

Kuala Lumpur, Malaysia  
Date: 31 March 2003

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, MOHD. QARI BIN AHMAD and KAMARUZZAMAN BIN ABU KASSIM, being two of the directors of DAMANSARA REALTY BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 82 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2002 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

MOHD. QARI BIN AHMAD

KAMARUZZAMAN BIN ABU KASSIM

Kuala Lumpur, Malaysia  
Date: 31 March 2003

# STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, MOHAMED IZAHAM B. ABDUL RANI, the officer primarily responsible for the financial management of DAMANSARA REALTY BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 82 are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed MOHAMED IZAHAM  
B. ABDUL RANI at Kuala Lumpur  
in Wilayah Persekutuan on 31 March 2003

MOHAMED IZAHAM B. ABDUL RANI

Before me,

KARAM SINGH A/L SUDAGAR SINGH  
No. W353  
Commissioner for Oaths

## AUDITORS' REPORT

We have audited the financial statements set out on pages 30 to 82. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia and give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as at 31 December 2002 and of their results and their cash flows for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

The report of the auditors on the financial statements of the subsidiaries were not subject to any qualification and, in respect of subsidiaries incorporated in Malaysia, did not include any adverse comment made under subsection (3) of Section 174 of the Act.

Without qualifying our opinion, we draw attention to the following matters:-

- (i) The Group and the Company had accumulated losses of RM702,620,000 and RM666,640,000 respectively and the net current liabilities of the Group was RM40,959,000 as at 31 December 2002. In addition, as at the financial year end, the Group and the Company had defaulted in certain repayment obligations, as disclosed in Note 25 to the financial statements. Some of these financial obligations have been regularised or successfully rescheduled subsequent to the financial year end.

The ability of the Group and of the Company to continue as going concerns are dependent on their ability to achieve profitable operations and positive cash flows, the continued support from the financial institutions and the successful implementation of the new Proposed Reconstruction and Restructuring Scheme of the Group as disclosed in Note 34(a) to the financial statements. The financial statements of the Group and the Company do not include any adjustments relating to the amounts and classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

## AUDITORS' REPORT

- (ii) As disclosed in Note 10 to the financial statements, a hotel property known as the Regency Hotel and Resorts which was fully provided for in 1998 was written back during the financial year for reasons mentioned in Note 10 to the financial statements.

HANAFIAH RASLAN & MOHAMAD  
AF: 0002  
Chartered Accountants

ABRAHAM VERGHESE A/L T.V. ABRAHAM  
1664/10/04 (J)  
Partner

Kuala Lumpur, Malaysia  
Date: 31 March 2003

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 RM'000	2001 RM'000
Revenue	3	61,543	76,814
Other operating income	4	8,011	2,553
Write back of hotel property	10	30,082	-
Contract costs		(24,293)	(23,383)
Depreciation		(1,546)	(1,600)
Staff costs	5	(8,641)	(8,601)
Other operating expenses	6	(26,172)	(118,824)
Profit/(loss) from operations		38,984	(73,041)
Finance cost	7	(10,549)	(9,324)
Share of profit of associated company		231	191
Profit/(loss) before taxation		28,666	(82,174)
Taxation	8	(4,187)	(6,046)
Profit/(loss) after taxation		24,479	(88,220)
Minority interests		3,843	2,536
Net profit/(loss) for the year		28,322	(85,684)
Earnings/(loss) per share (sen)	9	3.6	(11.0)

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

DAMANSARA REALTY BERHAD (4030-D)

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2002

	Note	2002 RM'000	2001 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	38,507	9,280
Land held for development	11	282,657	291,546
Investment properties	12	553,291	553,291
Associated companies	14	433	269
Other investments	15	278	328
		875,166	854,714
<b>CURRENT ASSETS</b>			
Inventories	16	35	40
Due from customers on contracts	17	4,210	2,462
Trade receivables	19	8,199	7,056
Other receivables, deposits and prepayments	20	129,567	132,162
Deposits with financial institutions	21	5,777	4,937
Cash and bank balances	22	6,792	4,646
		154,580	151,303
<b>CURRENT LIABILITIES</b>			
Development properties	24	3,266	3,933
Short term borrowings	25	33,134	93,091
Trade payables		37,558	30,493
Other payables and accruals	26	98,123	95,372
Taxation		23,458	27,483
		195,539	250,372
<b>NET CURRENT LIABILITIES</b>		(40,959)	(99,069)
		834,207	755,645
<b>FINANCED BY:</b>			
Share capital	27	781,689	781,689
Reserves		(702,392)	(730,714)
Shareholders' equity		79,297	50,975
Minority interests	28	640,880	645,174
		720,177	696,149
Long term liabilities	25	55,381	948
Deferred taxation	30	58,649	58,548
Non-current liabilities		114,030	59,496
		834,207	755,645

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2002

	< Non-Distributable >				
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2001	781,689	156	72	(645,258)	136,659
Net loss for the year	-	-	-	(85,684)	(85,684)
At 31 December 2001	781,689	156	72	(730,942)	50,975
Net profit for the year	-	-	-	28,322	28,322
At 31 December 2002	<u>781,689</u>	<u>156</u>	<u>72</u>	<u>(702,620)</u>	<u>79,297</u>

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

DAMANSARA REALTY BERHAD (4030-D)

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 RM'000	2001 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	28,666	(82,174)
Adjustments for:		
Depreciation	1,546	1,600
Write back of hotel property	(30,082)	-
Property, plant and equipment written off	-	443
Impairment of property, plant and equipment	-	144
Loss on disposal of property, plant and equipment	9	22
Provision for doubtful debts	534	8,474
Bad debts recovered	(22)	0
Provision for diminution in value of investments	-	9,285
Interest expense	10,467	9,324
Interest income	(379)	(145)
Loss on disposal of associated company	-	3,789
Provision for diminution in value of property held for development	-	69,079
Write back of provision for doubtful debts	-	(856)
Attributable losses/(profits)	11,825	(3,672)
Gain on exchange of investment	(23)	-
Gain on disposal of property, plant and equipment	(168)	(36)
Share of profit of associated company	(231)	(191)
	22,142	15,086
Operating (loss)/profit before working capital changes	22,142	15,086
Increase in advances to associated company	-	(1,717)
Decrease/(increase) in due from customers on contracts	(9,078)	(10,898)
Decrease/(increase) in receivables	940	(760)
Net decrease in inventories and development properties	(5,158)	1,008
Increase in payables	5,268	18,699
	14,114	21,418
Cash generated from operations	14,114	21,418
Interest paid	(5,919)	(9,324)
Income tax refund	46	-
Income taxes paid	(8,090)	(3,630)
	151	8,464
Net cash generated from operating activities	151	8,464

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 RM'000	2001 RM'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	379	145
Consideration received under share exchange scheme	73	-
Purchase of property, plant and equipment	(722)	(2,797)
Decrease/(increase) in land held for development	8,889	(3,724)
Proceeds from sale of property, plant and equipment	190	106
	8,809	(6,270)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Placement in fixed deposits	(196)	-
Repayment of hire purchase and lease liabilities	(174)	(199)
Drawdown of term loan	-	3,712
Repayment of borrowings	(5,350)	(4,600)
Preference dividend paid to the Redemable Convertible Cumulative Preference Shareholders	(450)	(6,802)
	(6,170)	(7,889)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,790</b>	<b>(5,695)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>8,625</b>	<b>14,320</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>11,415</b>	<b>8,625</b>
 Cash and cash equivalents comprise:		
Cash and bank balances (Note 22)	6,792	4,646
Deposits with financial institutions (Note 21)	5,777	4,937
	12,569	9,583
Less: Deposit pledged for bank guarantee	(1,154)	(958)
	11,415	8,625

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

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 RM'000	2001 RM'000
Revenue	3	5,029	10,491
Other operating income	4	141	1,333
Write back of provision for diminution in value of investment in subsidiary	13	30,082	-
Contract costs		(7,061)	(9,842)
Depreciation		(10)	(35)
Staff costs	5	(786)	(980)
Other operating expenses	6	(1,649)	(109,920)
Profit/(loss) from operations		25,746	(108,953)
Finance cost	7	(1,137)	(1,339)
Profit/(loss) before taxation		24,609	(110,292)
Taxation	8	-	80
Net profit/(loss) for the year		24,609	(110,212)

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

DAMANSARA REALTY BERHAD (4030-D)

# BALANCE SHEET

AS AT 31 DECEMBER 2002

	Note	2002 RM'000	2001 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1	39
Properties held for development	11	5,000	5,000
Subsidiaries	13	82,681	52,349
Associated companies	14	-	-
Other investments	15	278	328
		<u>87,960</u>	<u>57,716</u>
<b>CURRENT ASSETS</b>			
Due from customers on contracts	17	74	198
Due from subsidiaries	18	74,888	72,195
Other receivables, deposits and prepayments	20	103,541	104,587
Deposits with financial institutions	21	2,069	1,096
Cash and bank balances	22	320	2,220
		<u>180,892</u>	<u>180,296</u>
<b>CURRENT LIABILITIES</b>			
Due to subsidiaries	23	96,020	95,146
Short term borrowings	25	13,600	13,636
Trade payables		4,064	-
Other payables and accruals	26	33,688	32,184
Taxation		5,851	5,851
		<u>153,223</u>	<u>146,817</u>
<b>NET CURRENT ASSETS</b>		<u>27,669</u>	<u>33,479</u>
		<u>115,629</u>	<u>91,195</u>
<b>FINANCED BY:</b>			
Share capital	27	781,689	781,689
Reserves		(666,484)	(691,093)
Shareholders' equity		<u>115,205</u>	<u>90,596</u>
Long term liabilities	25	424	599
		<u>115,629</u>	<u>91,195</u>

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2002

	Share capital RM'000	Non Distributable Share premium RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2001	781,689	156	(581,037)	200,808
Net loss for the year	-	-	(110,212)	(110,212)
At 31 December 2001	781,689	156	(691,249)	90,596
Net profit for the year	-	-	24,609	24,609
At 31 December 2002	781,689	156	(666,640)	115,205

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

DAMANSARA REALTY BERHAD (4030-D)

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 RM'000	2001 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	24,609	(110,292)
Adjustments for:		
Depreciation	10	35
Write back of provision for investment in subsidiary	(30,082)	-
Loss on disposal of associated company		2,846
Provision for doubtful debts		
- subsidiaries	183	16,057
- associated companies	-	7,621
Provision for diminution in value		
- associated companies	-	8,793
- subsidiaries	-	72,727
Write back of provision for amount due from subsidiaries	-	(1,213)
Interest expense	1,137	1,339
Interest income	(31)	(68)
Gain on exchange of investment	(23)	-
Gain on disposal of property, plant and equipment	(86)	-
	(4,283)	(2,155)
Operating loss before working capital changes		
Decrease in receivables	1,046	518
Decrease/(increase) in due from customers on contracts	124	(198)
Decrease in due to customers on contracts	-	(2,946)
Increase/(decrease) in payables	4,444	(217)
Decrease in amount due to subsidiaries	874	11,036
Increase in amount due from subsidiaries	(2,876)	(7,792)
Increase in advances to associated company	-	(1,717)
	(671)	(3,471)
Cash used in operations		
Interest paid	(13)	(861)
Income tax refund	-	80
	(684)	(4,252)
Net cash used in operating activities		

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

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 RM'000	2001 RM'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	31	68
Consideration received under share exchange scheme	73	-
Purchase of additional shares in a subsidiary	(250)	-
Proceeds from sale of property, plant and equipment	114	-
	(32)	68
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Placement in fixed deposits	(33)	-
Repayment of hire purchase liabilities	(55)	(85)
Repayment of term loan and short term borrowings	(156)	(1,491)
	(244)	(1,576)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(960)</b>	<b>(5,760)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>2,586</b>	<b>8,346</b>
	<b>1,626</b>	<b>2,586</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>		
Cash and cash equivalents comprise:		
Cash and bank balances (Note 22)	320	2,220
Deposits with financial institutions (Note 21)	2,069	1,096
	2,389	3,316
Less: Deposits pledged for bank guarantee	(763)	(730)
	1,626	2,586

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and the provision of full corporate, administrative and financial support to its subsidiaries and associated companies.

The principal activities of the subsidiaries are described in Note 13. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at Level 3, Block C, Pusat Bandar Damansara, 50490 Kuala Lumpur.

The number of employees in the Group and the Company at the end of the financial year were 65 (2001 : 242) and 2 (2001 : 2) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 March 2003.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless indicated in the accounting policies below.

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

### (b) Revenue Recognition

#### (i) Development Properties and Construction Contracts

Revenue from sale of development properties and from construction contracts are accounted for under the percentage of completion method. The percentage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated. All anticipated losses are fully provided for.

#### (ii) Revenue from Hotel Operations

Income from rental of hotel rooms, sale of food and beverage and other related income are recognised on an accrual basis.

#### (iii) Rental Income

Rental income is recognised on an accrual basis.

### (c) Basis of Consolidation

#### (i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

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

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

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

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

## (ii) Associated Companies

Associated companies are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

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

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

## (d) Property, Plant and Equipment and Depreciation

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

Leasehold lands are depreciated over the period of the leases. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost or valuation of each asset to its residual value over their estimated useful life at the following annual rates:

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

Short term leasehold land	16%
Buildings on short term leasehold land	10%
Long term leasehold land	2%
Building on long term leasehold land	2%
Site infrastructure	7% - 10%
Office equipment, furniture and fittings	5% - 10%
Plant and machinery	20%
Motor vehicles	20%
Renovation	10%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

## (e) Investments

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

On disposal of such investments, the difference between net disposal proceed and their carrying amounts is charged or credited to the income statement.

## (f) Investment Properties

Investment properties are held for their investment potential and rental income.

Investment properties are based on independent professional valuers' reports. Additions subsequent to the date of valuation are stated as cost. It is the Group's policy to appraise these properties once in every five years based on open market value. An increase in carrying amount arising from the revaluation of investment properties is credited to equity as revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase for the same property that has been credited to revaluation surplus and subsequently reversed or utilised, it is charged against that revaluation surplus. In all other cases, a decrease in carrying amount is recognised as an expense. An increase on revaluation directly related to a previous decrease in carrying amount for the same investment property that was recognised as an expense, is credited to income to the extent that it offsets the previously recorded decrease. Upon the disposal of investment property, the relevant portion of the revaluation surplus realised in respect of previous valuations is released from the investment property revaluation surplus directly to retained profits.

## (g) Development Properties and Land Held for Development

Land and development expenditure are classified as development properties when significant development work has been undertaken and is expected to be completed within the normal operating cycle. Development properties are stated at cost plus attributable profits less foreseeable losses and progress billings. Cost includes cost of land, all direct building costs, and other related development expenditure, including interest expenses incurred during the period of active development.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

Land held for development consists of land held for future development where no significant development has been undertaken, and is stated at cost. Cost includes cost of land and attributable development expenditure. Such assets are classified as development properties when significant development work has been undertaken and the development is expected to be completed within the normal operating cycle.

Land held for development is stated at cost or valuation less provision for any permanent diminution in value. It is the Group's policy to appraise these properties held for development at least once in every five years based on open market value. An increase in carrying amount arising from the revaluation of land held for development is credited to equity as revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase for the same property that has been credited to revaluation surplus and subsequently reversed or utilised, it is charged against that revaluation surplus. In all other cases, a decrease in carrying amount is recognised as an expense. An increase on revaluation directly related to a previous decrease in carrying amount for the same investment property that was recognised as an expense, is credited to income to the extent that it offsets the previously recorded decrease.

Upon the disposal of development properties, the relevant portion of the revaluation surplus realised in respect of previous valuations is released from the properties held for development revaluation surplus directly to retained profits.

For uncompleted projects, the cost of land under development and related development costs are carried forward as development expenditure.

## (h) Finance Lease and Hire Purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

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

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

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

## (i) Inventories

Inventories comprise cost of goods purchased and are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

(j) Borrowing Cost

Borrowing cost directly attributable to the acquisition of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Borrowing cost relating to development properties are capitalised during the period of active development until they are ready for their intended purpose. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(k) Currency Conversion and Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement.

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are taken to reserves.

The principal exchange rate for every unit of foreign currency used is as follows:

	2002	2001
	RM	RM
United States Dollar	3.80	3.80

(l) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at banks, deposits at call, net of outstanding bank overdrafts.

(m) Deferred Taxation

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

(n) Provisions for Liabilities

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

(o) Construction Contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

(p) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, assets arising from construction contracts and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## (q) Financial Instruments

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

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

### (i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associated companies and investment properties are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

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

### (ii) Trade and Other 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.

### (iii) Trade and Other 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.

### (iv) Interest-Bearing Borrowings

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 3. REVENUE

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Property rental				
- private tenants	11,901	9,990	1,445	-
- government tenants	30,623	33,637	-	-
Property development and construction contracts	11,390	26,209	3,584	10,491
Revenue from hotel operations	7,629	6,654	-	-
Provision of management services	-	324	-	-
	<u>61,543</u>	<u>76,814</u>	<u>5,029</u>	<u>10,491</u>

## 4. OTHER OPERATING INCOME

Included in other operating income are:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Bad debts recovered	22	56	-	52
Gain on disposal of property, plant and equipment	168	36	86	-
Gain on exchange of investment	23	-	23	-
Interest income	379	145	31	68
Write back of provision for amount due from subsidiaries	-	-	-	1,213
Rental income	-	138	-	-
Sales of agricultural products	2,116	1,470	-	-
Income from liquidated and ascertained damages	2,789	-	-	-
	<u>2,789</u>	<u>-</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 5. STAFF COSTS

Included in staff costs of the Group and of the Company are directors' remuneration as follows:

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	643	737	632	737
Bonus	-	60	-	60
Benefits in-kind	33	36	33	36
	<u>676</u>	<u>833</u>	<u>665</u>	<u>833</u>
Non-Executive:				
Allowances	<u>167</u>	<u>109</u>	<u>167</u>	<u>109</u>
Other Directors				
Non-Executive:				
Allowances	<u>47</u>	<u>36</u>	<u>-</u>	<u>-</u>
Total	<u>890</u>	<u>978</u>	<u>832</u>	<u>942</u>
Analysis excluding benefits in-kind:				
Total excluding benefits in-kind	<u>857</u>	<u>942</u>	<u>799</u>	<u>906</u>

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

	2002	2001
	RM	RM
Executive directors:		
RM200,001 - RM250,000	-	1
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	2	-
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	-	-
RM450,001 - RM500,000	-	-
RM500,001 - RM550,000	-	-
RM550,001 - RM600,000	-	1
Non-Executive directors:		
Below RM50,000	6	5

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 6. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Auditors' remuneration				
- current year	123	120	37	3
- overprovision in prior year	-	(3)	-	-
- other services	226	187	182	10
Fees paid to a firm in which a director is a member	-	130	-	130
Loss on disposal of property, plant and equipment	9	22	-	-
Loss on disposal of associated company	-	3,789	-	2,846
Office rental	135	137	-	-
Rental of equipment	72	-	72	-
Rental of motor vehicle	9	-	-	-
Management fees	267	211	-	-
Property management fees paid to an associated company	840	882	-	-
Provision for diminution in value				
- associated company	-	9,285	-	8,793
- subsidiaries	-	-	-	72,727
Provision for doubtful debts				
- subsidiaries	-	-	183	16,057
- associated companies	-	7,621	-	7,621
- other	534	853	-	-
Impairment of property, plant and equipment	-	144	-	-
Provision for diminution in value of land held for development	-	69,079	-	-
Write off of:				
- bad debts	22	-	-	-
- property, plant and equipment	-	443	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 7. FINANCE COST

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revolving credit interest	1,137	1,060	1,137	1,060
Term loan interest	9,281	8,105	-	258
Hire purchase interest	49	77	-	21
Agency fee	82	82	-	-
	<u>10,549</u>	<u>9,324</u>	<u>1,137</u>	<u>1,339</u>

## 8. TAXATION

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Current year's provision	5,583	5,244	-	-
(Over)/under provision in respect of prior year	(1,564)	145	-	(80)
Share of taxation of associated company	67	57	-	-
Transfer to deferred taxation (Note 30)	101	600	-	-
	<u>4,187</u>	<u>6,046</u>	<u>-</u>	<u>(80)</u>

The effective tax rate of the Group is higher than the statutory tax rate principally due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries as no group relief is available.

There is no tax charge for the Company due to certain gains which are not taxable in nature. As at 31 December 2002, the Company has unabsorbed tax losses and unutilised capital allowances of approximately RM6,572,000 (2001 : RM2,065,000) and RM290,000 (2001 : RM356,000), respectively which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

As at 31 December 2002, the Company has a potential deferred tax benefit of approximately RM1,921,000 (2001 : RM678,000), arising principally from tax losses carried forward and unutilised capital allowances, the effect of which is not included in the financial statements as there is no assurance beyond any reasonable doubt that future taxable income will be sufficient to allow the benefit to be realised.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 9. EARNINGS/(LOSS) PER SHARE - GROUP

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

	2002	2001
Net profit/(loss) for the year (RM'000)	28,322	(85,684)
Weighted average number of ordinary shares in issue ('000)	781,689	781,689
Basic earnings/(loss) per share (sen)	3.6	(11.0)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RM'000	Plant and machinery RM'000	Site infrastructure and renovation RM'000	Others** RM'000	Total RM'000
Group					
Cost/Valuation					
At 1 January 2002	300	2,454	1,608	16,434	20,796
Write back of hotel property	36,000	-	-	-	36,000
Additions	-	180	300	242	722
Disposals	-	-	-	(222)	(222)
At 31 December 2002	<u>36,300</u>	<u>2,634</u>	<u>1,908</u>	<u>16,454</u>	<u>57,296</u>
Accumulated Depreciation and Impairment Losses					
At 1 January 2002	300	1,893	223	9,100	11,516
Write back of hotel property	5,918	-	-	-	5,918
Charge for the year	-	219	146	1,181	1,546
Disposals	-	-	-	(191)	(191)
At 31 December 2002	<u>6,218</u>	<u>2,112</u>	<u>369</u>	<u>10,090</u>	<u>18,789</u>
Net Book Value					
At 31 December 2002	<u>30,082</u>	<u>522</u>	<u>1,539</u>	<u>6,364</u>	<u>38,507</u>
At 31 December 2001	<u>-</u>	<u>561</u>	<u>1,385</u>	<u>7,334</u>	<u>9,280</u>
Depreciation charge for 2001	<u>5</u>	<u>208</u>	<u>150</u>	<u>1,237</u>	<u>1,600</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

\* Land and buildings of the Group comprise:

Group	Long term leasehold land and building RM'000	Short term leasehold land and building RM'000	Total RM'000
<b>Cost/Valuation</b>			
At 1 January 2002	-	300	300
Write back of hotel property	36,000	-	36,000
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
At 31 December 2002	36,000	300	36,300
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>Accumulated Depreciation and Impairment Losses</b>			
At 1 January 2002	-	300	300
Write back of hotel property	5,918	-	5,918
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
At 31 December 2002	5,918	300	6,218
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>Net Book Value</b>			
At 31 December 2002	30,082	-	30,082
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
At 31 December 2001	-	-	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Depreciation charge for 2001	-	5	5
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

\*\* Others of the Group comprise:

Group	Furniture & fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost/Valuation</b>				
At 1 January 2002	9,305	5,618	1,511	16,434
Additions	193	42	7	242
Disposals	-	(2)	(220)	(222)
At 31 December 2002	<u>9,498</u>	<u>5,658</u>	<u>1,298</u>	<u>16,454</u>
<b>Accumulated Depreciation and Impairment Losses</b>				
At 1 January 2002	3,621	4,693	786	9,100
Charge for the year	669	323	189	1,181
Disposals	-	-	(191)	(191)
At 31 December 2002	<u>4,290</u>	<u>5,016</u>	<u>784</u>	<u>10,090</u>
<b>Net Book Value</b>				
At 31 December 2002	<u>5,208</u>	<u>642</u>	<u>514</u>	<u>6,364</u>
At 31 December 2001	<u>5,684</u>	<u>925</u>	<u>725</u>	<u>7,334</u>
Depreciation charge for 2001	<u>626</u>	<u>360</u>	<u>251</u>	<u>1,237</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

Company	Motor vehicles RM'000	Total RM'000
<b>Cost</b>		
At 1 January 2002	322	322
Disposals	(218)	(218)
	<hr/>	<hr/>
At 31 December 2002	104	104
	<hr/>	<hr/>
<b>Accumulated Depreciation</b>		
At 1 January 2002	283	283
Charge for the year	10	10
Disposals	(190)	(190)
	<hr/>	<hr/>
At 31 December 2002	103	103
	<hr/>	<hr/>
<b>Net Book Value</b>		
At 31 December 2002	1	1
	<hr/>	<hr/>
At 31 December 2001	39	39
	<hr/>	<hr/>
Depreciation charge for 2001	35	35
	<hr/>	<hr/>

- (a) The title deed to the long term leasehold land and building on which the Group's hotel property (Regency Hotel and Resort) is located, has not been transferred to the subsidiary concerned, Tanjung Tuan Hotel Sdn. Bhd. In view of the Injunction Order granted by the High Court, as disclosed in Note 34(f), a full provision of RM32,962,000 was made in 1998 to write down the value of the hotel property.

The directors, after obtaining legal advice, are of the opinion that the subsidiary is still the beneficial owner of the hotel property, until the Court decides otherwise, by virtue of having fully paid the purchase consideration as well as the plaintiffs are not in the position to deliver the required assets, as disclosed in Note 34(f).

The subsidiary has written back RM30,082,000 which approximates the forced sale value based on the valuation as stated in Note 10(b). The RM30,082,000 was arrived at based on what the net book value of the property based on its historical cost as at 31 December 2002 would be had the property not been fully provided for in 1998 but depreciated using the normal depreciation rate used by the subsidiary.

The above leasehold land cannot be transferred, charged or sold without the prior written approval from the State Government of Negeri Sembilan.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

- (b) Based on a professional valuation performed by professional valuers on 21 February 2003, the market value of the above hotel property is RM37,000,000 and the Forced Sale Value is RM29,600,000.
- (c) The net book values of motor vehicles of the Group and of the Company held under hire purchase are RM502,000 (2001 : RM725,000) and RMNil (2001 : RM39,000) respectively.
- (d) Included in property, plant and equipment of the Group and of the Company are fully depreciated property, plant and equipment amounting to RM3,627,000 (2001 : RM4,838,000) and RM104,000 (2001 : RM224,000) respectively.

## 11. LAND HELD FOR DEVELOPMENT

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
At cost:				
Freehold land	368,047	368,080	-	-
Long term leasehold land	41,717	41,717	41,717	41,717
Development expenditure	84,996	93,852	-	-
At valuation:				
Freehold land	1,694	1,694	-	-
	<u>496,454</u>	<u>505,343</u>	<u>41,717</u>	<u>41,717</u>
Provision for diminution in value	(213,797)	(213,797)	(36,717)	(36,717)
	<u>282,657</u>	<u>291,546</u>	<u>5,000</u>	<u>5,000</u>

The freehold land stated at valuation was valued based on an independent market valuation conducted in 1993. The Group adopted the transitional provision of Malaysian Accounting Standard 7: Accounting for Property Development which allows the Group to retain the carrying amount on the basis of a previous valuation.

The following freehold land has been pledged:

- (a) Freehold land of a subsidiary costing RM52,560,000 (2001: RM52,560,000) is charged to a financial institution for certain credit facilities extended to the joint venture partner of the buyer of a portion of the subsidiary's property. The amount has been fully provided for in previous financial years.
- (b) Freehold land of a subsidiary with a carrying value of RM123,174,000 (2001 : RM132,062,000) has been pledged to a financial institution for banking facilities granted to that subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

Long term leasehold land with a carrying value of RM5,000,000 (2001: RM5,000,000) was pledged to a consortium of Guarantor Banks. It was discharged subsequent to the financial year end as disclosed in Note 32.

Cost of development properties of the Group recognised as an expense during the financial year amounted to RM12,335,000 (2001: RM11,937,000).

## 12. INVESTMENT PROPERTIES

Included in the investment properties is a shop/office building known as Pusat Bandar Damansara ("PBD Property") with the carrying value as follows:

	Group	
	2002 RM'000	2001 RM'000
Investment property, at cost	624,650	624,650
Less: Accumulated impairment losses	(74,650)	(74,650)
	<u>550,000</u>	<u>550,000</u>

Based on a preliminary valuation performed by a firm of independent valuers on 24 June 2002, the investment property has been valued at RM500,000,000. In view of the indication of further potential impairment of the investment property arising from the preliminary valuation, the value in use has been computed using the estimated and projected future cash flow from the use and disposal of the property. Based on the computation, no further provision for impairment loss is deemed necessary in the financial statements for the year ended 31 December 2002.

The PBD Property was pledged to a consortium of Guarantor Banks for bank borrowings as disclosed in Note 32 but was discharged by the Guarantor Banks subsequent to the financial year end.

The land title for the PBD Property is registered in the name of the vendor and is pending transfer to a subsidiary.

## 13. SUBSIDIARIES

	Company	
	2002 RM'000	2001 RM'000
Unquoted shares, at cost	295,668	295,418
Less: Accumulated impairment losses	(212,987)	(243,069)
	<u>82,681</u>	<u>52,349</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

In the current financial year, the Company wrote back an impairment loss of RM30,082,000 in respect of the subsidiary, Tanjung Tuan Hotel Sdn. Bhd., with the hotel property as disclosed in Note 10.

Shares in certain subsidiaries with a net book value of RM52,249,000 (2001: RM52,249,000) were pledged to a consortium of Guarantor Banks as disclosed in Note 32. Subsequent to the financial year end, the pledged shares were discharged by the Guarantor Banks.

The cost of investment in a subsidiary, Golden Dragon Garden Sdn. Bhd. ("GDG"), is stated net of a profit warranty of RM34,000,000. The Company has filed a legal suit against the Vendors of GDG, seeking payment for the sum of RM52,020,000 being the additional amount of shortfall in the warranted profits for the financial years ended 31 December 1997 and 31 December 1998 as warranted under the sale and purchase agreement dated 21 April 1997. The Company is taking legal action to recover the above mentioned shortfall.

Details of the subsidiaries are as follows:

(i) Incorporated in Malaysia

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2002	2001	
* Kesang Land Sdn. Bhd.	100	100	Inactive (Under members' voluntary liquidation)
Kesang Trading Sdn. Bhd.	100	100	Inactive
Kesang Kastory Enterprise Sdn. Bhd.	70	70	Inactive
Kesang Leasing Sdn. Bhd.	100	100	Lease, hire purchase and loan financing (inactive)
Damansara Realty Management Services Sdn. Bhd.	100	100	Management services to holding and related companies.
Tanjung Tuan Hotel Sdn. Bhd.	100	100	Hotel operator
Kesang Properties Sdn. Bhd.	100	100	Property development (inactive) and investment holding.
DRP Construction Sdn. Bhd.	100	100	Property development, construction and property holding
Kesang Development Sdn. Bhd.	100	100	Property development (inactive)
Damansara Realty (Johor) Sdn. Bhd. (formerly known as Damansara Rhyolite Sdn. Bhd.)	100	100	Property development

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

(i) Incorporated in Malaysia (continued)

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2002	2001	
Istiwa Sdn. Bhd.	100	100	Inactive
Kesang Industries Sdn. Bhd.	100	100	Investment holding
Kesang Construction & Engineering Sdn. Bhd.	100	100	Inactive
Kesang Equipment Hire Sdn. Bhd.	100	100	Inactive
Kesang Quarry Sdn. Bhd.	70	70	Quarrying
Pedas Quarry Sdn. Bhd.	55	55	Inactive
* Kesang Resort & Hotels Sdn. Bhd.	100	100	Investment holding (under members' voluntary liquidation)
* Chendering Motel Sdn. Bhd.	100	100	Inactive (under members' voluntary liquidation)
* Kesang Associates Sdn. Bhd.	100	100	Investment holding (under members' voluntary liquidation)
* Syarikat Timor Jaya Plantation Sdn. Bhd.	100	100	Inactive (under members' voluntary liquidation)
Damansara Realty Management (Timber Operations) Sdn. Bhd.	100	100	Inactive
Damansara Forest Products (Malaysia) Sdn. Bhd.	100	100	Inactive
Damansara Realty (Pahang) Sdn. Bhd.	60	60	Property development
Damansara Town Centre Sdn. Bhd.	100	100	Property investment and management
JOLS Construction Sdn. Bhd.	100	100	Inactive
Sungei Gadut Quarry Sdn. Bhd.	100	100	Inactive
Golden Dragon Garden Sdn. Bhd.	100	100	Property development
Imbasan Dasar Sdn. Bhd.	100	100	Property developer (inactive)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

(ii) Incorporated in Papua New Guinea

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2002	2001	
* Damansara Forest Products (PNG) Pty. Ltd.	100	100	Timber operations (under members' voluntary liquidation)
* Damansara-Pai Pty. Ltd.	85	85	Development of oil palm plantation (under members' voluntary liquidation)
* Damansara-Siau Pty. Ltd.	85	85	Inactive (under members' voluntary liquidation)
* Damansara-Batai Pty. Ltd.	85	85	Inactive (under members' voluntary liquidation)

\* These subsidiaries under members' voluntary liquidation are not consolidated and are not audited by Messrs Hanafiah Raslan & Mohamad. The audited financial statements are not annexed as the companies are under liquidation.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 14. ASSOCIATED COMPANIES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Unquoted shares, at cost	13,128	13,128	13,079	13,079
Share of post acquisition profit less losses	876	712	-	-
	<u>14,004</u>	<u>13,840</u>	<u>13,079</u>	<u>13,079</u>
Less: Accumulated impairment losses	(13,571)	(13,571)	(13,079)	(13,079)
Total	<u>433</u>	<u>269</u>	<u>-</u>	<u>-</u>

	Group	
	2002 RM'000	2001 RM'000
Represented by:		
Share of net tangible assets	14,004	13,840
Less: Accumulated impairment losses	(13,571)	(13,571)
	<u>433</u>	<u>269</u>

Details of the associated companies are:

Name of Associated Companies	Equity Interest Held (%)		Principal Activities
	2002	2001	
(i) Incorporated in the Republic of the Philippines			
Kesang Mining Corporation Philippines ("KMCP")	40	40	Gold mining (inactive)
* Kesang Processing and Management Corporation ("KPMC")	40	40	Gold mining and provision of management services to KMCP (inactive)
(ii) Incorporated in the Republic of Indonesia			
P.T. Waka Oberoi	30	30	Hotel operator

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## (iii) Incorporated in Malaysia

Uniphoenix Damansara Security Services Sdn. Bhd.	50	50	Security services (under members' voluntary liquidation)
Pembinaan Nadzri Sdn. Bhd.	36	36	Construction (under members' voluntary liquidation)
Damansara-Harta Management Sdn. Bhd.	49	49	Property management

\* KPMC holds 60% (2001 : 60%) of the equity interest in KMCP thereby resulting in the Group having an effective interest of 64% (2001 : 64%) in KMCP.

## 15. OTHER INVESTMENTS

Group and Company	2002 RM'000	2001 RM'000
Shares quoted in Malaysia, at cost	240	-
Unquoted shares, at cost	838	1,128
Provision for diminution in value	(800)	(800)
	38	328
Total	278	328
Market value of quoted shares	244	-

## 16. INVENTORIES

	Group	
	2002 RM'000	2001 RM'000
At cost:		
Consumable stores	20	9
Food and beverage	15	31
	35	40

Cost of inventories recognised as an expense during the financial year in the Group amounted to RM1,223,000 (2001 : RM1,054,000).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 17. DUE FROM CUSTOMERS ON CONTRACTS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Construction contract costs incurred to date	51,968	36,741	25,691	18,630
Attributable (losses)/profits	(4,577)	2,614	(2,378)	1,099
	<u>47,391</u>	<u>39,355</u>	<u>23,313</u>	<u>19,729</u>
Less: Progress billings	(43,181)	(36,893)	(23,239)	(19,531)
Due from customer on contracts	<u>4,210</u>	<u>2,462</u>	<u>74</u>	<u>198</u>

## 18. DUE FROM SUBSIDIARIES

	Company	
	2002 RM'000	2001 RM'000
Due from subsidiaries	120,320	117,444
Provision for doubtful debts	(45,432)	(45,249)
	<u>74,888</u>	<u>72,195</u>

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

## 19. TRADE RECEIVABLES

	Group	
	2002 RM'000	2001 RM'000
Trade receivables	27,716	26,039
Less: Provision for doubtful debts	(19,517)	(18,983)
	<u>8,199</u>	<u>7,056</u>

The Group's normal trade credit term ranges from 14 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors except for government related receivables which account for 8% of total receivables.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits paid for proposed acquisitions of various property companies and land (refer note i)	95,788	95,788	95,788	95,788
Advances made to a third party (refer note ii)	59,500	59,500	-	-
Deposit for proposed acquisition (refer note iii)	20,000	20,000	-	-
Deposit paid for purchase of office lots from a company in which certain former directors have interests	1,613	1,613	-	-
Income tax recoverable	443	300	300	300
Due from corporate shareholder	157	157	-	-
Due from JCD, a subsidiary of corporate shareholder (refer note iv)	22,148	22,148	4,825	4,825
Due from past related companies (refer note v)	8,274	8,274	-	-
Retention sums	1,293	2,245	1,284	2,245
Advances to a former associated company (refer to note vi)	7,621	7,621	7,621	7,621
Others	5,690	7,476	1,807	1,892
	<u>222,527</u>	<u>225,122</u>	<u>111,625</u>	<u>112,671</u>
Provision for doubtful debts	(92,960)	(92,960)	(8,084)	(8,084)
	<u>129,567</u>	<u>132,162</u>	<u>103,541</u>	<u>104,587</u>

- (i) These deposits were placed with vendors for the proposed acquisition of equity interest and properties in Vital Esteem Berhad, Skudai Parade and a plot of freehold land situated in Ipoh ("Ipoh Land"). The proposed acquisitions have since been terminated.

These deposits are to be assigned for assets to be acquired by the Group under the new Proposed Reconstruction and Restructuring Scheme as disclosed in Note 34(a).

- (ii) The advances to a third party of RM59,500,000 (2001 : RM59,500,000) were made by a subsidiary, GDG, prior to acquisition by the Group. The amount has been fully provided for in prior years. GDG is pursuing the recovery of the advances paid.

# NOTES TO THE FINANCIAL STATEMENTS

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- (iii) The deposit was paid pursuant to a Memorandum of Understanding dated 28 November 1997 entered into by GDG to acquire a 30% equity interest in Merit Aim Sdn. Bhd. for a purchase consideration of RM60,000,000. The amount has been fully provided for in prior years. GDG is pursuing the recovery of the deposit paid.
- (iv) The amount is due from Johor City Development Sdn. Bhd. ("JCD") which is the holder of all "B" Redeemable Convertible Cumulative Preference Shares ("RCCPS") as described in Note 28. The Group's new Proposed Reconstruction and Restructuring Scheme as disclosed in Note 34(a) will address the settlement of the said amount due.
- (v) The amount is owing by companies within the Safuan Berhad Group, which is disputed and is currently under legal action. A provision for doubtful debts of RM3,774,000 (2001 : RM3,774,000) had been made against the receivable.
- (vi) The advances to the former associated company, Long Huat Group Berhad, were made to assist the associated company as the management were of the opinion that the company needed the funds to meet its immediate cash flows requirements. The amount was fully provided for in the previous financial year as the company ceased to be an associated company of the Group and was not in the financial position to repay the amount due.

## 21. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits with:				
Licensed banks	1,170	961	779	746
Discount house	4,607	3,976	1,290	350
	<u>5,777</u>	<u>4,937</u>	<u>2,069</u>	<u>1,096</u>

The weighted average interest rates during the financial year and the average maturities of deposits as at 31 December 2002 were as follows:

	Weighted Average Interest Rates	Average Maturities Days
Licensed banks	4.00%	365 days
Discount house	7.37%	Daily

Included in deposits with licensed bank of the Group and of the Company are amounts pledged as security for bank guarantees granted in favour of third parties of RM1,154,000 (2001 : RM961,000) and RM763,000 (2001 : RM746,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. CASH AND BANK BALANCES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash in hand	1	9	1	9
Cash at bank	3,542	3,469	319	2,211
Project Accounts	1,712	525	-	-
Amounts held pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966	1,537	643	-	-
	6,792	4,646	320	2,220

All amounts remaining upon closure of Phase 1 and Phase 2 of the project accounts and the Housing Developers Accounts of a subsidiary have been assigned as security for the syndicated loans as disclosed in Note 25 (i).

The amounts held pursuant to Section 7A of the Housing Developers (Control and Licensing) Act 1966 are restricted from use in other operations.

## 23. DUE TO SUBSIDIARIES

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

## 24. DEVELOPMENT PROPERTIES

	Group	
	2002 RM'000	2001 RM'000
Freehold land, at cost	573	573
Development expenditure	24,306	28,285
	24,879	28,858
Attributable (losses)/profits	(207)	541
	24,672	29,399
Less: Progress billings	(27,938)	(33,332)
	(3,266)	(3,933)

# NOTES TO THE FINANCIAL STATEMENTS

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## 25. BORROWINGS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Short Term Borrowings</b>				
Secured:				
Syndicated term loan (refer Note i)	-	54,727	-	-
Syndicated bridging loan (refer Note i)	1,608	6,802	-	-
Term loan (refer Note ii)	10,000	10,000	-	-
Bridging loan (refer Note ii)	4,806	4,806	-	-
Hire purchase payable (Note 29)	120	156	-	36
	<u>16,534</u>	<u>76,491</u>	<u>-</u>	<u>36</u>
Unsecured:				
Revolving credits (refer Note iii)	13,600	13,600	13,600	13,600
Advances from shareholders of a subsidiary (refer Note iv)	3,000	3,000	-	-
	<u>16,600</u>	<u>16,600</u>	<u>13,600</u>	<u>13,600</u>
	<u>33,134</u>	<u>93,091</u>	<u>13,600</u>	<u>13,636</u>
<b>Long term Borrowings</b>				
Secured:				
Syndicated term loan (refer Note i)	54,727	-	-	-
Term loan	424	580	424	580
Hire purchase payable (Note 29)	230	368	-	19
	<u>55,381</u>	<u>948</u>	<u>424</u>	<u>599</u>

# NOTES TO THE FINANCIAL STATEMENTS

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	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Total Borrowings				
Revolving credits	13,600	13,600	13,600	13,600
Syndicated term loan	54,727	54,727	-	-
Syndicated bridging loan	1,608	6,802	-	-
Bridging loan	4,806	4,806	-	-
Term loans	10,424	10,580	424	580
Hire purchase payable	350	524	-	55
Advances from shareholders of a subsidiary	3,000	3,000	-	-
	<u>88,515</u>	<u>94,039</u>	<u>14,024</u>	<u>14,235</u>

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Maturity of borrowings (excluding hire purchase and finance lease)				
Within one year	33,014	92,935	13,600	13,600
More than 2 years and less than 5 years	55,151	580	424	580
	<u>88,165</u>	<u>93,515</u>	<u>14,024</u>	<u>14,180</u>

The weighted average effective interest rates during the financial year for borrowings, excluding hire purchase and finance lease payables, were as follows

	Group		Company	
	2002	2001	2002	2001
Revolving credits	7.14%	7.14%	7.14%	7.14%
Syndicated term loan	10.40%	9.10%	-	-
Syndicated bridging loan	10.35%	9.49%	-	-
Bridging loan	9.92%	8.21%	-	-
Term loans	8.50%	8.50%	8.50%	8.50%

# NOTES TO THE FINANCIAL STATEMENTS

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(i) Syndicated Term Loan and Syndicated Bridging Loan

The syndicated term loan is repayable by way of redemption of individual land titles (if the bridging loan has been fully settled) and the balance by way of a lump sum payment on 31 December 2005.

The syndicated bridging loan is repayable by eight equal quarterly instalments of RM1 million each commencing 10 July 2004 or redemption of individual land titles or 50% of the credit balance upon closing of the Housing Development Account.

The above syndicated term loan and bridging loan are secured by the way of:

- (a) First and second legal charge over the 2,050 acres of land in Kuantan, Pahang Darul Makmur.
- (b) First and second fixed and floating charge over all the assets and undertaking of the subsidiary.
- (c) Assignment of all project accounts in respect of Phase 1 and Phase 2 of the Bandar Damansara Kuantan project ("the Project").
- (d) Assignment of all credit balances remaining in the Housing Development Accounts upon closure of such accounts in respect of Phase 1 and Phase 2 of the Project.
- (e) An irrecoverable undertaking from the Company to meet any cash deficit to ensure completion of Phase 1 and Phase 2 of the Project.
- (f) Corporate Guarantee from the Company.
- (g) Letter of Undertaking from the Company to inject a total of RM14.8 million into a subsidiary to part-finance the development of Phase 1 and 2 of the Project.

The subsidiary has defaulted in its interest repayments on the syndicated term loan from August 2001 to July 2002. However, the subsidiary has managed to successfully negotiate and regularise its interest repayment and the overdue interest has been fully settled subsequent to year end. As such, the syndicated term loan is now classified as a long term borrowing.

(ii) Term Loan and Bridging Loan

The term loan and bridging loan are secured by a first and second fixed charge over landed properties belonging to the joint venture land owner of the subsidiary's property development project and are also guaranteed by a former director of the subsidiary. The term loan is scheduled to be repayable over a period of 7 years commencing from the third quarter of the year 1997 and is to be fully repaid by the year 2003 or redemption of land titles.

The subsidiary has defaulted in its repayment and the lender has instituted action to recover the amount due. The subsidiary has managed to successfully set aside the Summons and the lender has lodged an appeal.

(iii) Revolving Credits

In the previous financial year, the Company defaulted in its principal and interest repayment of the facility. The Company has secured the approval in principle from the relevant financial institutions for the above-mentioned facilities to be fully settled via the Group's new Proposed Reconstruction and Restructuring Scheme as disclosed in Note 34 (a).

# NOTES TO THE FINANCIAL STATEMENTS

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- (iv) The advances from shareholders of a subsidiary, Uniphoenix Corporation Sdn. Bhd. and Lembah Angsana Sdn. Bhd. are unsecured, interest free and have no fixed terms of repayment.

## 26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Amount owing:				
- to companies within the Safuan Berhad Group	7,066	7,066	7,066	7,066
- for retention sums	1,125	2,085	-	-
Deposits received on disposal of land	29,400	29,400	-	-
Accrual for stamp duty	25,654	25,654	24,450	24,450
Accrual of interest	17,086	12,795	1,601	478
Provision for liquidated ascertained damages	5,383	5,252	-	-
Management fee payable	1,304	1,052	-	-
Accruals	2,787	4,831	-	-
Other payables	8,318	7,237	571	190
	<u>98,123</u>	<u>95,372</u>	<u>33,688</u>	<u>32,184</u>

## 27. SHARE CAPITAL

Group and Company

	Number of Ordinary Shares of RM1 each		Amount	
	2002 '000	2001 '000	2002 RM'000	2001 RM'000
Authorised				
At 1 January / 31 December	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid				
At 1 January / 31 December	<u>781,689</u>	<u>781,689</u>	<u>781,689</u>	<u>781,689</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 28. MINORITY INTEREST

Included in minority interest are the "A" and "B" RCCPS issued by a subsidiary, Damansara Town Centre Sdn. Bhd. ("DTCSB"), as follows:

	Par Value RM	Premium RM	Total RM
"A" RCCPS	2,370,000	234,630,000	237,000,000
"B" RCCPS	4,000,000	396,000,000	400,000,000
	<u>6,370,000</u>	<u>630,630,000</u>	<u>637,000,000</u>

The Group is adopting the transitional provision of MASB 24: Financial Instruments: Disclosure and Presentation which allows for compound instruments not to be classified as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition and definitions of a financial liability and an equity instrument.

The principal terms of the "A" and "B" RCCPS are as follows:

"A" RCCPS carry a gross annual dividend rate of 12.5% of the issue price per annum until full conversion or redemption.

The "A" RCCPS are convertible into new ordinary shares in a subsidiary, DTCSB, at the rate of one new ordinary share of RM1.00 each for every RCCPS held. The conversion can be effected on any market day up to and including 5 January 2005.

The "A" RCCPS carry an Optional Redemption feature whereby DTCSB will have a "one time" option to redeem by way of issuance of new shares and/or other instruments in Newco. Newco will be a company to be incorporated pursuant to the Company's Proposed Reconstruction and Restructuring Exercise. If DTCSB does not exercise the Optional Redemption, the outstanding RCCPS are redeemable for cash at a redemption sum of RM1.00 each on 5 January 2005.

In addition, the "A" RCCPS carry a Mandatory Redemption whereby DTCSB shall be bound to redeem the RCCPS in the event of a winding-up petition being presented against DTCSB or the Company or if any security created by DTCSB in favour of its lenders becomes enforceable. The Mandatory Redemption will be effected entirely in cash and at the same redemption amount as the Optional Redemption.

"B" RCCPS carry a net dividend rate (after allowing for tax deduction at source) equal to the effective rate of borrowing procured by the holder for the purpose of subscribing to the "B" RCCPS.

The "B" RCCPS are convertible at the option of the holder into new ordinary shares of DTCSB at the rate of one new ordinary share of RM1.00 each for every "B" RCCPS held. The conversion can be effected on any market day up to and including 12 January 2005. The "B" RCCPS are not transferable.

Unless previously converted, the "B" RCCPS are redeemable for cash at RM1.00 per share on 12 January 2005.

The "B" RCCPS too carry a Mandatory Redemption whereby DTCSB shall be bound to redeem the RCCPS in the event of a winding-up petition being presented against DTCSB or the Company or if any security created by DTCSB in favour of its lenders becomes enforceable. The Mandatory Redemption will be effected entirely in cash and at RM1.00 per share.

# NOTES TO THE FINANCIAL STATEMENTS

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Both the "A" and "B" RCCPS are capable of Redemption-in-Specie whereby the holders shall have an option ("Call Option") to require the Company to transfer the investment property known as PBD Property held by DTCSB and its 60% shareholdings in Damansara Realty (Pahang) Sdn. Bhd., either as a whole or in part in satisfaction of outstanding RCCPS at the maturity date.

The exercise price for the call option shall be determined in the following manner:

Exercise Price = Market value of Assets - Amount outstanding  
on "A" and "B" RCCPS

Dividends on both classes of the RCCPS are to be distributed in priority to any payment in respect of any other class of shares of the Company on a semi-annual basis.

DTCSB will pay dividends on the "A" and "B" RCCPS so long as there are sufficient distributable profits and there is sufficient cash flows. The dividends are cumulative in that those not paid will be cumulated up to the date of full payment.

No dividend has been declared by DTCSB for the current financial year, on grounds that DTCSB does not have sufficient distributable profits, cash flows and Section 108 of the Income Tax Act, 1967 to frank the payment of dividend.

The amount of cumulative dividends for the RCCPS's dividends not recognised in the financial statements are as follows:

	2002 RM'000	2001 RM'000
"A" RCCPS at gross dividend of 12.50%		
- Payable to shareholders	49,486	28,156
- Tax on dividend payable to the Inland Revenue Board (assuming the current Section 108 of the Income Tax Act, 1967, not utilised)	19,244	10,949
	<u>68,730</u>	<u>39,105</u>
"B" RCCPS at gross dividend equal to JCD's financing cost		
- Payable to shareholders	48,008	34,799
- Tax on dividend payable to the Inland Revenue Board (assuming the current Section 108 of the Income Tax Act, 1967, not utilised)	18,670	13,533
	<u>66,678</u>	<u>48,332</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. HIRE PURCHASE AND LEASE PAYABLES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Future minimum lease payments are as follows:				
Within 1 year	155	201	-	46
Within 1 year to 2 years	298	476	-	25
	<hr/>	<hr/>	<hr/>	<hr/>
Less: Finance charges	453 (103)	677 (153)	- -	71 (16)
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>350</b>	<b>524</b>	<b>-</b>	<b>55</b>

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Present value of finance lease liabilities:				
Within 1 year	120	156	-	36
Within 1 year to 2 years	230	368	-	19
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>350</b>	<b>524</b>	<b>-</b>	<b>55</b>

### Analysed as:

Due within 12 months (Note 25)	120	156	-	36
Due after 12 months (Note 25)	230	368	-	19
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>350</b>	<b>524</b>	<b>-</b>	<b>55</b>

The hire purchase and lease liabilities bore interest during the financial year of 5.9% (2001: 5.9%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

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## 30. DEFERRED TAXATION

	Group	
	2002 RM'000	2001 RM'000
At 1 January	58,548	57,948
Transfer from income statement (Note 8)	101	600
	<hr/>	<hr/>
At 31 December	58,649	58,548
	<hr/>	<hr/>
Deferred taxation is in respect of:		
- timing differences between depreciation and capital allowances	701	600
- differences between Group carrying value and original cost of property held for development of a subsidiary	57,948	57,948
	<hr/>	<hr/>
	58,649	58,548
	<hr/>	<hr/>

## 31. CAPITAL RESERVE

This represents the capitalisation of bonus issues received from an unquoted investment in a subsidiary.

## 32. ASSETS PLEDGED FOR RELATED PARTY BORROWINGS

Investment property, together with a parcel of land held for development, certain shares in subsidiaries and quoted investment in associated company held by the Company with a total net book value of RM607,249,000 (2001 : RM607,249,000) were pledged to a consortium of Guarantor Banks who provided a BG Facility of RM400,000,000 to JCD pursuant to a BG Facility Agreement dated 5 January 2001 of which the Company is a joint obligor.

The proceeds from the above facilities of RM400,000,000 were utilised for subscription of "B" RCCPS in DTCSB described in Note 28.

Following the completion of JCorp's debt restructuring exercise, the amount due under the BG Facility was fully settled.

On 23 January 2003, a Deed of Release, Discharge and Reassignment was signed between JCD and the Guarantor Banks. Hence, the obligations of JCD and the Company as well as the security provided by the Company under the BG Facility Agreement dated 5 January 2000 were either fully discharged, released or reassigned following the completion of the debt restructuring exercise involving JCorp.

# NOTES TO THE FINANCIAL STATEMENTS

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## 33. CONTINGENT LIABILITIES

### Unsecured

- (a) At 31 December 2002, the Company is contingently liable to the extent of RM350,000 (2001 : RM600,000) in respect of corporate guarantee provided for hire purchase facility granted to a subsidiary.
- (b) At 31 December 2002, the Company is contingently liable to the extent of RM56,335,000 (2001 : RM61,529,000) in respect of corporate guarantee provided for a term loan facility of a subsidiary.
- (c) On 28 June 2002, a logging and stevedoring contractor has recorded judgement in the National Court of Papua New Guinea for the sum of K294,097.10 (approximately USD80,000) against the Company and its subsidiary, Damansara Forest Products (PNG) Ltd. The contractor has also filed a parallel suit in the Kuala Lumpur High Court but the Company has instructed its solicitors to dismiss the suit for want of prosecution.

The directors have not made provision for the potential exposure as they are of the opinion, based on legal advice, that the likelihood of any loss arising from this matter is remote and can be met from the proceeds of the liquidation of the subsidiary.

- (d) The Group through its subsidiary, Kesang Quarry Sdn. Bhd. is in dispute with a third party in the calculation of tribute relating to quarrying activities amounting to RM638,000. The Company is of the opinion that no provision is required for the disputed amount. The summons of the third party was struck off with costs on 17 December 2000 by the Court. The third party has filed an appeal, which was allowed by the Court.
- (e) On 5 June 2000, the Company was served with a Writ of Summons by Spectra Heights Sdn. Bhd. ("Spectra Heights"), a logging contractor who had entered into a logging contract with a subsidiary (currently in liquidation) to fell and extract timber in the Batai timber concession in Papua New Guinea.

The total amount of damages claimed by Spectra Heights amounts to approximately RM180 million for expenses and loss of profits. The Company's solicitors are of the opinion that even if Spectra Heights manages to succeed in establishing liability, the quantum of damages recoverable would be limited to the disbursements and expenses incurred by Spectra Heights which would be further subjected to strict proof to the satisfaction of the Court. The matter has been fixed for Case Management on 4 April 2003.

The directors have not made provision for the potential exposure as they are of the opinion, based on legal advice, that the amount involved, if any, would not be material.

## 34. SIGNIFICANT AND SUBSEQUENT EVENTS

### (a) Proposed Reconstruction and Restructuring Scheme

The Company's previous proposed restructuring scheme was aborted on 14 December 2001. On 5 August 2002, the Company announced a new Proposed Reconstruction and Restructuring Scheme involving the following:

- (i) Proposed Capital Reduction and Consolidation
- (ii) Proposed Share Exchange

# NOTES TO THE FINANCIAL STATEMENTS

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- (iii) Proposed Acquisition of "A" RCCPS
- (iv) Proposed Acquisitions from JCD
- (v) Proposed Offer for Sale/Placement
- (vi) Proposed Delisting of the Company and Listing of Newco.

The components of the Proposed Reconstruction and Restructuring Scheme are interconditional upon each other and are subject to approval by the shareholders and relevant authorities.

On 5 February 2003, the Company announced that they are in the process of finalising the terms and conditions of certain additional proposal with third parties. The additional proposal would form part of the application to be made to the Securities Commission ("SC") and other relevant authorities, in addition to the Proposed Reconstruction and Restructuring Scheme.

- (b) Default on the Principal and Interest Repayment under the RM400 million Bank Guarantee Facility ("BG Facility")

Pursuant to the default by JCD on the RM400 million BG Facility, the Guarantor Banks had exercised certain of their rights under the BG Facility which included disposing off the quoted investment in an associated company of the Company.

The BG Facility was fully settled during the financial year.

- (c) Default on Principal and Interest Repayment of Revolving Credit Facilities ("RC Facilities")

On 24 September 2001, the Company defaulted in its principal and interest repayment of its RC Facilities. The total principal outstanding as at 31 December 2002 was RM13,600,000.

During the financial year, the Company has secured the approval in principle from the relevant financial institutions for the above-mentioned facilities to be fully settled via the Company's new Proposed Reconstruction and Restructuring Scheme.

- (d) RIH Management Services Sdn. Bhd.

On 26 November 1996, Tanjung Tuan Hotel Sdn. Bhd. a wholly-owned subsidiary of the Company had terminated a Management Agreement with RIH Services (M) Sdn Bhd ("RIH") due to various breaches committed by its management. RIH has challenged the validity of the termination and arbitration proceedings which have taken place since 1997. Even though the management term of RIH expired in September 2001, RIH continues to operate the hotel on grounds that it had an option to renew the Management Agreement for a further 10-year term and that it had validly exercised that option. The Company's solicitors have advised that the option clause is void for uncertainty and that the management is a trespasser on the Hotel property.

- (e) Proposed Acquisition of Taman Damansara Alif ("TDA") Land - Assignment of Rights and Obligations Under Sale and Purchase Agreement

On 5 August 2002, the Company had entered into a Sales and Purchase Agreement with JCD for the purpose of the Proposed Acquisition of TDA Land for a consideration of RM180,000,000 as part of the Proposed Reconstruction and Restructuring Scheme.

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On 10 October 2002, the Company entered into a Deed of Assignment with its fellow subsidiary, Damansara Realty (Johor) Sdn. Bhd. ("DRJ") for the purpose of assigning all the Company's rights, title and interest in the TDA Land together with its appointment as the developer of the TDA Land to DRJ for a consideration of RM1.00.

(f) Material Litigations

On 30 October 1990, the Company entered into an agreement to purchase a three-storey hotel known as Regency Hotel & Resorts ("RHR") from the developer, Tanjung Tuan Resort Development Sdn. Bhd. ("TTRD"). On 24 September 1992, the Company had entered into an Assignment Agreement with Sun Swee Development Sdn. Bhd. ("Sun Swee") to assign its rights and interest in title in RHR to Sun Swee for a cash consideration of RM45,000,000. A subsequent agreement was entered into by the Company with Pembinaan Kota Laksamana (Melaka) Sdn. Bhd. ("PKL") on 2 November 1993 to acquire land with reclamation rights for RM55,000,000. These two agreements were formulated under a Recovery Scheme that was endorsed by the Securities Commission. Due to the failure of both the agreements under the Recovery Scheme, the Company proceeded to terminate the said agreements in December 1995 and entered into an agreement with Puteri Hotels Sdn. Bhd. ("Puteri") to dispose RHR for a cash consideration of RM50,000,000. The sale to Puteri resulted in Sun Swee and PKL applying and obtaining from the Kuala Lumpur High Court an Injunction Order to restrain the Company from any form of dealings in relation to RHR.

On 13 January 2003, the High Court extended the injunction to continue until the full trial of the matter. The Court also dismissed the Company's application to set aside the interim injunction. The Company had on 10 February 2003 filed its Notice of Appeal against the said decision.

## 35. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except for the presentation and classification of items in the segment information (Note 37) of the previous financial year which have been changed to comply with the requirements of MASB 22: Segment Reporting which was adopted during the year.

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

## 36. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

In ensuring adequate financial resources to finance its operating activities, the Group has put in place appropriate systems of internal control to identify and effectively manage risks associated with managing such resources. The Group operated within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest bearing debt, as the Group had no substantial long-term interest bearing assets as at 31 December 2002. Investments in financial assets are mainly in money market instruments that are held for working capital. They are short term in nature and are not held for speculative purposes. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

# NOTES TO THE FINANCIAL STATEMENTS

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## (c) Liquidity Risk

The Group is actively managing its operating cashflow to suit the debt maturity profile so as to ensure all commitment and funding needs are met. As part of its overall prudent liquidity management, the Group strives to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities sufficient to meet its operational needs.

## (d) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

## (e) Fair Values

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

	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Marketable securities	240	244	240	244
<b>Financial Liabilities</b>				
Amounts owing to companies within the Safuan Berhad Group				
Revolving credits	7,066	*	7,066	*
Syndicated bridging loan	13,600	*	13,600	*
Syndicated term loan	1,608	1,484	-	-
Bridging loan	54,727	55,615	-	-
Term loan	4,806	*	-	-
Advances from shareholders of a subsidiary	10,424	*	424	-
	3,000	*	-	-
	<u>95,231</u>	<u>57,099</u>	<u>21,090</u>	<u>-</u>

\* It is not practical to estimate the fair value of the Group's amounts owing to companies within the Safuan Berhad Group, borrowings and advances from shareholders of a subsidiary due principally to the inability to estimate the settlement date without incurring excessive costs as these amounts either lack a fixed repayment term or are in dispute. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually received or settled.

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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 and Short Term Borrowings**  
(with the exception of the amounts disclosed above) The carrying amounts approximate fair values due to the relatively short term to maturity of these financial instruments.
- (ii) **Marketable Securities**  
The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.
- (iii) **Borrowings**  
The fair value of borrowings is estimated using the discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 37. SEGMENTAL ANALYSIS

	Property Letting		Property Development/ Construction		Hotel Operations		Others		Eliminations		Consolidated	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>REVENUE AND EXPENSES</b>												
<b>Revenue</b>												
External sales	42,524	43,627	11,390	26,209	7,629	6,654	-	324	-	-	61,543	76,814
Inter segment sales	-	-	6,617	9,801	-	-	-	-	(6,617)	(9,801)	-	-
<b>Total revenue</b>	<b>42,524</b>	<b>43,627</b>	<b>18,007</b>	<b>36,010</b>	<b>7,629</b>	<b>6,654</b>	<b>-</b>	<b>324</b>	<b>(6,617)</b>	<b>(9,801)</b>	<b>61,543</b>	<b>76,814</b>
<b>Result</b>												
Segment results	18,099	19,826	(9,656)	(248,817)	1,204	64	(329)	(1,405)	(416)	157,291	8,902	(73,041)
Write back of hotel property	-	-	-	-	30,082	-	-	-	-	-	30,082	-
Profit/(loss) from operations												
Finance costs											38,984	(73,041)
Share of profits of associate											(10,549)	(9,324)
Taxation											231	191
Profit/ (loss) after taxation											(4,187)	(6,046)
Minority interests											24,479	(88,220)
Profit/ (loss) for the year											3,843	2,536
											28,322	(85,684)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

	Property Development/						Eliminations	Others	Consolidated
	Property Letting	Construction	Hotel Operations	2001	2002	2001			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS AND LIABILITIES</b>									
Segment assets	581,185	409,033	428,589	35,312	4,806	3,783	731	1,029,313	1,015,978
Investment in associated company	-	433	269	-	-	-	-	433	269
Consolidated total assets								<u>1,029,746</u>	<u>1,016,247</u>
Segment liabilities	13,280	288,062	295,616	4,303	4,970	3,924	3,059	309,569	320,098
<b>OTHER INFORMATION</b>									
Depreciation	728	119	211	698	660	1	8	1,546	1,600
Writeback of hotel property	-	-	-	(30,082)	-	-	-	(30,082)	-
Impairment losses									
Non-cash expenses other than depreciation and impairment losses	281	(29,899)	181,936	-	-	-	144	29,899	(87,571)
								281	95,171

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. Segmental reporting by geographical location has not been prepared as the Group's operations are substantially carried out in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

## 38. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2002 RM	2001 RM
Fees paid by JCorp to a subsidiary	-	324,000
Rental income from PJB Pacific Advisory Services and PJB Capital Sdn. Bhd.	265,647	-
Property management fees payable to Damansara Harta Management Sdn. Bhd., an associated company of the Company	1,807,033	882,000
Security fees paid to Harta Consult Sdn. Bhd.	373,631	398,000
Insurance premium paid to Willis (Malaysia) Sdn. Bhd.	449,631	491,000
Rental income from Metro Parking (M) Sdn. Bhd.	1,378,200	1,559,000
Cleaning services paid to HC Duraclean Sdn. Bhd.	420,000	420,000

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

All the above-mentioned companies are subsidiaries of JCorp.

# LIST OF PROPERTIES HELD BY GROUP

31 DECEMBER 2002

	Location	Tenure	Area	Description	Age of Building	Net Book Value RM'000
1.	Geran 10474 Lot 8345 Geran 25354 Lot 4541 Mukim of Kuala Lumpur.	Freehold	9.5 acres	6 blocks of 7-storey and 3 blocks of 6- storey shop/office building for rental	17 years	550,000
2.	Lot 7, 8, 823 Mukim Sg. Karang, Pahang. Lot 6, 11, 1026 Mukim Beserah, Pahang.	Freehold	2,050 acres	Vacant land held for residential and commercial development	n/a	65,082
3.	Lot 2080, Mukim Kuala Krai Kelantan.	Freehold	2.45 acres	Vacant land held for future commercial development	n/a	746
4.	P.N. Lot 5628, Mukim Si Rusa, Daerah Port Dickson, Negeri Sembilan	Leasehold expiring year 2080	5.38 acres	3-storey hotel with 218 rooms	12 years	30,082
5.	No. P.T. 14648, Mukim Ampangan, Daerah Seremban, Negeri Sembilan.	Leasehold expiring year 2023	60 acres	Vacant land held for quarry.	n/a	*
6.	No. P.T. 823, Mukim Pedas, Daerah Rembau, Negeri Sembilan.	Leasehold expiring year 2023	40 acres	Vacant land held for quarry.	n/a	*
7.	Unsold portion of Lot No. 1543, H.S. (D) KA 08071/84 Lot 926 – 1553, H.S. (D) KA 07454 – 08081/84 Mukim Sungai Raia, Daerah Kinta, Perak.	Freehold      Leasehold Expiring year 2084	      96.81 acres	      Vacant land held for commercial development	      n/a	      137,878

# LIST OF PROPERTIES HELD BY GROUP

31 DECEMBER 2002

	Location	Tenure	Area	Description	Age of Building	Net Book Value RM'000
8.	Lot P.T. 692 (Lot 30845), Desa Petaling, Mukim Petaling, Wilayah Persekutuan.	Freehold	11,514 sq. ft.	1 unit of 6-storey and 7 units of 8-storey office lot for sale/rental	4 years	3,292
9.	Lot P.T. 1982, Mukim Hulu Telom, Cameron Highlands, Pahang.	Leasehold expiring year 2035	709,903 sq. ft.	Vacant Land held for future development.	n/a	5,000
10.	Lot 2649, Town of Kuala Terengganu, District of Kuala Terengganu, Terengganu.	Freehold	18,485.78 sq. ft.	Vacant land held for residential development	n/a	*
11.	Lot 2655, Town of Kuala Terengganu, District of Kuala Terengganu, Terengganu.	Freehold	11,053.53 sq. ft.	Vacant land held development	n/a for residential	*
12.	Lot Nos 9127, 9131, 9143, 9150, 9190, 9164, 9189, Mukim Bukit Payung, District Of Marang, Terengganu.	Freehold	56,425 sq. ft.	5 lots of vacant bungalow plots	n/a	*
			44,575 sq. ft.	26 lots of terrace house plots	n/a	*

Note: \* Written down value to RM1.00

# SHAREHOLDING STATISTICS

AS AT 30 APRIL 2003

Authorised Share Capital : RM1,000,000,000  
 Issued & Fully Paid-Up Capital : RM781,689,857  
 Class of Shares : Ordinary Share of RM1/= each  
 Voting Right : One vote for every ordinary share

## Analysis of Shareholders

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 1,000	328	0.45	134,444	0.02
1,000-10,000	64,065	87.86	219,295,519	28.05
10,001-100,000	8,129	11.15	213,960,272	27.37
100,001 to less than 5% of Issued Capital	394	0.54	178,570,622	22.85
5% and above of Issued Capital	1	-	169,729,000	21.71
<b>TOTAL</b>	<b>72,917</b>	<b>100.00</b>	<b>781,689,857</b>	<b>100.00</b>

## Top Thirty Shareholders

Name	No. of Shares	%
1. Johor Corporation	169,729,000	21.71
2. Employees Provident Fund Board	31,556,000	4.04
3. Kulim (Malaysia) Berhad	10,000,000	1.28
4. Bank Simpanan Nasional	7,758,000	0.99
5. Lim Seng Chee	7,333,000	0.94
6. Johor Ventures Sdn Bhd	7,143,000	0.91
7. Sindora Berhad	5,500,000	0.70
8. Menteri Kewangan Malaysia - A/C Section 29 (SICDA)	5,327,520	0.68
9. Hong Leong Finance Berhad - A/C Chee Sze Hsien @ Chee Ah Kow	5,223,000	0.67
10. Ong Bee Lian	5,176,000	0.66
11. UOBM Noms (A) Sdn Bhd - A/C United Overseas Bank Noms (Pte) Ltd for Hung Yook Thong	2,600,000	0.33
12. Bank Simpanan Nasional	1,805,000	0.23
13. Lim Khueng Ngai	1,709,000	0.22
14. Liew Swee Mio @ Liew Hoi Foo	1,650,000	0.21
15. Affin-UOB Noms (T) Sdn Bhd - A/C Chung Kin Chuan (SXM262)	1,597,000	0.20
16. UOBM Noms (A) Sdn Bhd - A/C United Overseas Bank Noms (Pte) Ltd for House of Hung Pte Ltd	1,376,000	0.18
17. Tay Kim Pong	1,294,000	0.17
18. Public Noms (T) Sdn Bhd - A/C Wong Lai Cheng (E-BTL)	1,094,000	0.14
19. Johor Capital Holdings Sdn Bhd	1,000,000	0.13
20. Ong Yit Hwa	950,000	0.12

# SHAREHOLDING STATISTICS

AS AT 30 APRIL 2003

Name	No. of Shares	%
21. Tay Teck Ho	900,000	0.12
22. Ooh Peak Kim	850,000	0.11
23. Tang Oi Man	840,000	0.11
24. Malaysia Noms (T) Sdn Bhd - A/C Zalaraz Sdn Bhd	800,000	0.10
25. Tan Boon Lai	707,000	0.09
26. Citicorp Noms (T) Sdn Bhd - A/C Tan Sei Han (472519)	700,000	0.09
27. Mayban Secs Noms (T) Sdn Bhd - A/C Foong Chee Peng (Dealer 33F-MARGIN)	686,000	0.09
28. Woon Chuan Keong	660,000	0.08
29. Affin-UOB Noms (T) Sdn Bhd - A/C Tan Kwee Eng (SXM352)	657,000	0.08
30. Dok Leong San	653,000	0.08

## Substantial Shareholders

Name	No. of shares	%
Johor Corporation	169,729,000	21.71
- Group		
- Johor Ventures Sdn Bhd	7,143,000	
- Kulim (Malaysia) Berhad	10,000,000	
- Johor Capital Holdings Sdn Bhd	1,000,000	
- Sindora Berhad	5,500,000	
	23,643,000	3.02

## Analysis of Shareholders

	No. of Shareholders	%	No. of Shares	%
Malaysian				
- Bumiputra	27,322	37.47	381,501,456	48.80
- Others	44,235	60.66	366,899,319	46.94
Foreigners	1,360	1.87	33,289,082	4.26
<b>TOTAL</b>	<b>72,917</b>	<b>100.00</b>	<b>781,689,857</b>	<b>100.00</b>

## Directors' Interests

None of the Directors in office at the end of the financial year has any interests in shares in the Company or its related corporations.

# PROXY FORM



I/We.....  
of .....  
being a Member/Members of Damansara Realty Berhad, hereby appoint.....  
.....  
of .....  
.....  
or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Forty-first Annual General Meeting of the Company to be held on Monday, 30 June, 2003 at 10.00 a.m. at Dewan Terbuka, Level 1, Block K, Pusat Bandar Damansara, 50490 Kuala Lumpur or any adjournment thereof, in the manner indicated below:

NO.	RESOLUTIONS	FOR	AGAINST	ABSTAINED
1.	To receive and adopt the Audited Statements of Accounts and the reports of the Directors and the Auditors for the year ended 31 December 2002			
2.	To re-elect YBhg Dato' Syed Alwi bin Syed Nasir			
3.	To re-elect Encik Mohd Qari bin Ahmad			
4.	To re-elect YBhg Dato' Johari bin Mohamed			
5.	To re-elect YBhg Datuk Yahya bin Ya'acob			
6.	To re-elect Puan Zainah bte Mustafa			
7.	To re-appoint Messrs Hanafiah, Raslan & Mohamad as auditors and to authorise the Directors to fix their remuneration.			

(Please indicate with a (✓) in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he thinks fit).

Dated this ..... day of ....., 2003

Number of shares held

.....  
*Signature*  
**First or Sole Shareholder or  
Common Seal**

**Notes:**

- A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead and such a proxy need not be a member of the Company. In the case of a corporate member, the instrument appointing a proxy must be either under common seal or under hand of its officer or attorney duly authorised.
- The instrument appointing the proxy must be deposited at the Registered Office of the Company at Level 3, Block C (South), Pusat Bandar Damansara, 50490 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.