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**ANNUAL REPORT**

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## CORPORATE INFORMATION

### — DIRECTORS —

Tham Ka Hon *Managing Director*  
Datuk Henry Chin Poy Wu  
Aloysius Choong Kok Sin  
Kamil Ahmad Merican  
Dato' Siew Ka Wei

### — COMPANY SECRETARY —

Fam Chai Hing

### — MAIN BANKERS —

Affin Bank Berhad  
Alliance Bank Berhad  
Alliance Merchant Bank Berhad  
Bank Utama (Malaysia) Berhad  
EON Bank Berhad  
Public Merchant Bank Berhad  
RHB Bank Berhad  
Southern Bank Berhad  
Utama Merchant Bank Berhad

### — AUDITORS —

PricewaterhouseCoopers  
11th Floor Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur  
Tel 03-2693 1077

### — REGISTRAR AND TRANSFER OFFICE —

Systems & Securities Sdn Bhd  
Wisma Selangor Dredging  
6th Floor South Block  
142-A Jalan Ampang  
50450 Kuala Lumpur  
Tel 03-2161 5466 Fax 03-2163 6968

### — REGISTERED OFFICE —

13th Floor Wisma Damansara  
Jalan Semantan  
50490 Kuala Lumpur  
Tel 03-2095 6868 Fax 03-2093 9060

### — STOCK EXCHANGE LISTING —

The Main Board of The Kuala Lumpur Stock Exchange

## GROUP STRUCTURE

As at 31 March 2002



EASTERN & ORIENTAL BERHAD

### — HOTEL AND OTHERS —

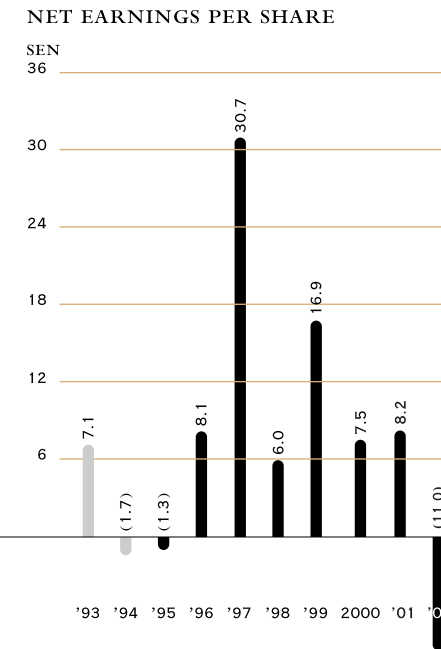
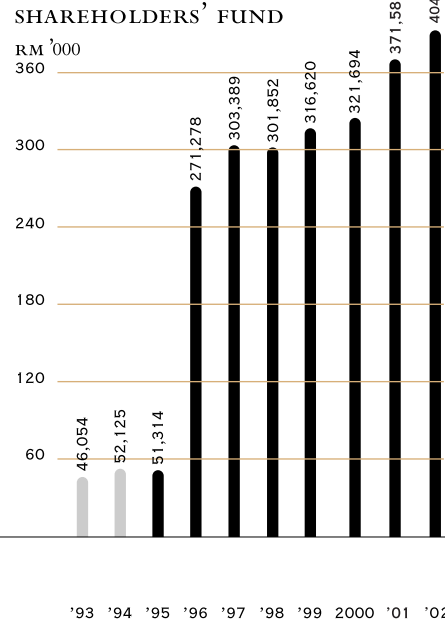
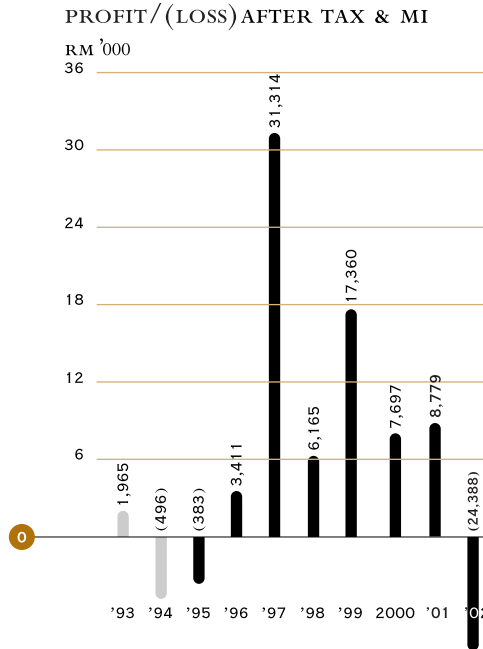
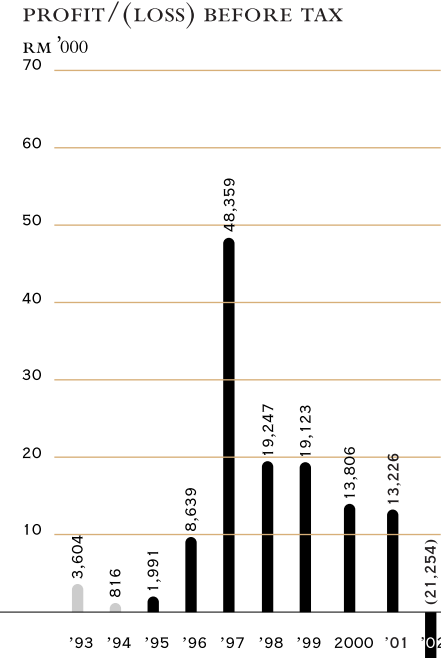
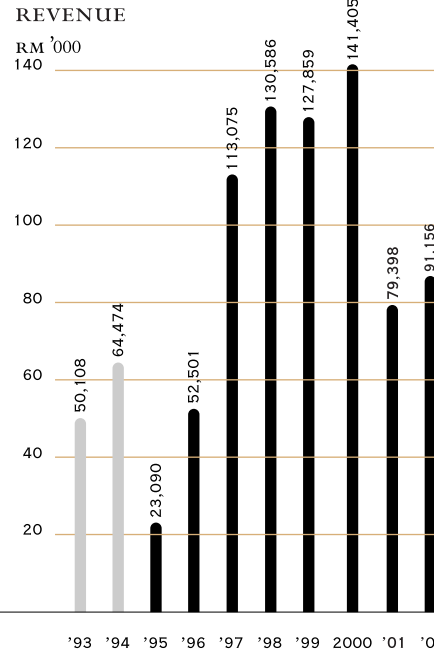
Eastern & Oriental Hotel Sdn Bhd	● 100%
E&O Express Sdn Bhd	● 100%
E&O Leisure Sdn Bhd	● 100%
E&O Restaurants Sdn Bhd	● 100%
Lone Pine Hotel (Penang) Sdn Bhd	● 100%
Eminent Pedestal Sdn Bhd	● 70%
E&O Ventures Sdn Bhd	● 51%
Dynamic Degree Sdn Bhd	● 51%
Kamunting Corporation Bhd (held by Dynamic Degree Sdn Bhd)	● 26.93%

### — PROPERTY DEVELOPMENT/INVESTMENT —

Ambangan Puri Sdn Bhd	● 100%
Minat Ganda Sdn Bhd	● 100%
Radiant Kiara Sdn Bhd	● 100%
Regal Alliance Sdn Bhd	● 100%
E&O Properties Sdn Bhd	● 100%
E&O Developers Sdn Bhd	● 100%
E&O Management Services Sdn Bhd	● 100%
True Vitality Sdn Bhd	● 100%
Kayangan Budaya Sdn Bhd	● 75%
Beta Auto Sdn Bhd	● 50.46%
Teratak Warisan (M) Sdn Bhd	● 50%
Renown Heritage Sdn Bhd	● 25%

# 10-YEAR GROUP FINANCIAL HIGHLIGHTS

● Before Restructuring  
● After Restructuring



FINANCIAL YEAR ENDED 31 MARCH 2002 (RM'000)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>INCOME STATEMENT</b>										
Revenue	91,156	79,398	141,405	127,859	130,586	113,075	52,501	23,090	64,474	50,108
Profit/(Loss) Before Tax	(21,254)	13,226	13,806	19,123	19,247	48,359	8,639	1,991	816	3,604
Taxation	5,263	5,458	6,109	1,763	13,082	17,045	5,174	2,354	1,412	1,720
Profit/(Loss) After Tax & MI	(24,388)	8,779	7,697	17,360	6,165	31,314	3,411	(383)	(496)	1,965
Dividend – Net	1,674	2,511	2,592	2,592	2,592	5,109	2,451	711	746	1,467
<b>BALANCE SHEET</b>										
Issued and Paid-up Capital	232,472	122,353	102,841	102,841	102,841	102,841	100,021	29,024	28,899	27,787
Weighted Average No of Shares	222,274	106,850	102,841	102,841	102,841	102,136	42,267	29,013	28,425	27,787
Shareholders' Fund	404,220	371,587	321,694	316,620	301,852	303,389	271,278	51,314	52,125	46,054
<b>RATIOS</b>										
Net Earnings per share (sen)	(11.0)	8.2	7.5	16.9	6.0	30.7	8.1	(1.3)	(1.7)	7.1
Net Dividend per share (sen)	0.7	1.1	2.5	2.5	2.5	4.9	2.5	2.5	2.4	5.3
NTA per share (RM)	1.46	2.48 *	3.08 *	3.04 *	2.94	2.95	2.71	1.77	1.80	1.66

\* NTA is arrived at after deducting premium on acquisition of associated companies amounting to RM62.9 million (2001: RM62.9 million; 2000: RM4.5 million; 1999: RM4.5 million) and share of intangibles of an associated company amounting to RM2.3 million (2001: RM5.2 million; 2000: RM Nil, 1999: RM Nil).

● Before Restructuring    ● After Restructuring

## DIRECTORS' PROFILE



*from L to R* Datuk Henry Chin Poy Wu • Mr Aloysius Choong Kok Sin • Mr Tham Ka Hon • Dato' Siew Ka Wei • Encik Kamil Merican

### **MR THAM KA HON**

Managing Director

Member of Audit Committee

Mr Tham Ka Hon, a Malaysian, aged 49, a non-independent executive Director was appointed as a Director and the Managing Director of Eastern & Oriental Berhad on 16 May 1994. He is also a member of the Audit Committee. Mr Tham has wide experience in property development since the 1980s when he completed one of the pioneer low and medium-cost housing schemes in Kuala Lumpur. He was also previously a director and advisor to the property development division in Land & General Berhad, which successfully developed the Sri Damansara project. He presently sits on the boards of Kamunting Corporation Berhad and Multi-Purpose Holdings Berhad. He was appointed a Director of Magnum Corporation Berhad on 1 July 2002.

Mr Tham is married to Madam Chua Cheng Boon and they are both substantial shareholders of the Company. Except for his interest in a privately owned company which is renting its property to a subsidiary of the Company, Mr Tham has no other business arrangements with the Company and the Group in which any conflict of interest has arisen.

**DATUK HENRY CHIN POY WU**

Independent non-executive Director  
Chairman of Audit Committee

Datuk Henry Chin Poy Wu, a Malaysian, aged 65, an independent non-executive Director was appointed to the Board of Eastern & Oriental Berhad on 15 April 1994 and is the Chairman of the Audit Committee. Datuk Henry spent over 38 years of his career with The Royal Malaysian Police and was holding the position of Chief of Police, Kuala Lumpur when he retired in 1993 from government service. After his retirement Datuk Henry continues to be actively involved in communal services for the benefit of education and welfare, and is a Board member of the Universiti Malaysia Sabah and a member of the Sabah State Pardons Board. He also sits on the boards of several public listed companies, namely, Malaysian Mosaics Bhd, Kilang Papan Seribu Daya Bhd, J.T. International Bhd, Nanyang Press (M) Bhd, Glenealy Plantations (M) Bhd, Magnum Corporation Berhad, Hap Seng Consolidated Berhad and Anglo Eastern Plantations PLC, a company listed on the London Stock Exchange.

Datuk Henry does not have any family relationship with any Director and/or major shareholder of the Company and has no business arrangements with the Company and the Group in which any conflict of interest has arisen.

**MR ALOYSIUS CHOONG KOK SIN**

Executive Director

Mr Aloysius Choong Kok Sin, a Malaysian, aged 57, a non-independent executive Director was appointed to the Board of Eastern & Oriental Berhad on 23 October 1996. Mr Choong is a Fellow of the Royal Institution of Chartered Surveyors and past-President of the Institution of Surveyors, Malaysia. He retired as the Deputy Director-General in Jabatan Penilaian dan Perkhidmatan Harta, Kementerian Kewangan where he served from 1964 to 1994 before joining Eastern & Oriental Berhad as an Executive Director to head the projects division in the Group.

Mr Choong does not have any family relationship with any Director and/or major shareholder of the Company and has no business arrangements with the Company and the Group in which any conflict of interest has arisen.

**ENCIK KAMIL AHMAD MERICAN**

Non-independent non-executive Director  
Member of Audit Committee

Encik Kamil Ahmad Merican, a Malaysian, aged 52, a non-independent non-executive Director was appointed to the Board of Eastern & Oriental Berhad on 26 April 1999 and is also a member of the Audit Committee. Encik Kamil graduated in Architecture from Universiti Teknologi Malaysia and the Architectural Association in London and has worked in various architectural firms in London and Malaysia. Currently he is the Chief Executive Officer of GDP Architects Sdn Bhd and an external examiner for Universiti Teknologi Malaysia and Universiti Malaya. He also sits on the board of Kamunting Corporation Berhad.

Encik Kamil does not have any family relationship with any Director and/or major shareholder of the Company and has no business arrangements with the Company and the Group in which any conflict of interest has arisen.

**DATO' SIEW KA WEI**

Non-independent non-executive Director

Dato' Siew Ka Wei, a Malaysian, aged 47, a non-independent non-executive Director was appointed to the Board of Eastern & Oriental Berhad on 28 May 1999. Dato' Siew holds a Bachelor of Science (Honours) Degree in Chemical Engineering and a Master of Science Degree in Operational Research from the Imperial College of Science, Technology and Medicine, London. Dato' Siew has local and international working experience and is well versed in the field of petrochemicals having been in the business for more than 20 years. He is the Deputy Group Managing Director and Chief Operating Officer as well as a substantial shareholder of Ancom Berhad. He is also the Group Managing Director of Nylex (Malaysia) Berhad and a Director of Kamunting Corporation Berhad. Dato' Siew was a past-Chairman of the Young Presidents Organisation ("YPO") Malaysia Chapter and is currently a director of the International Board of Directors of YPO, an international grouping of over 8,500 chief executive officers of major companies over the world.

Dato' Siew and his father Dato' Siew Nim Chee are substantial shareholders of the Company. Other than Dato' Siew's position in Ancom Berhad as disclosed above, he does not have any family relationship with any Director and/or major shareholder of the Company nor has he any business arrangements with the Company and the Group in which any conflict of interest has arisen.

NONE OF THE DIRECTORS HAS HAD CONVICTIONS FOR ANY OFFENCES WITHIN THE PAST TEN YEARS.

### 1. DIRECTORS

#### BOARD OF DIRECTORS

E&O is headed by an effective board which leads and controls the Group.

#### BOARD BALANCE

The Board currently has five members, comprising two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Independent Non-Executive Director. The Company shall comply with the Kuala Lumpur Stock Exchange (“KLSE”) Listing Requirements to have at least one-third (1/3) Independent Directors by the stipulated deadline as extended by the KLSE.

There is a clear division of responsibilities between the Managing Director and the Executive Director to ensure a balance of power and authority. The Non-Executive Directors are independent of management and they exercise independent and objective judgement in Board decisions.

Currently, the composition of the Board reflects the broad range of experience, skills and knowledge necessary for the effective leadership of the Group. The Board shall appoint another Independent Director in compliance with the KLSE Listing Requirements and also for its continuous endeavour to realise long term stockholders’ value.

The Board of Eastern & Oriental Berhad (“the Board”) supports the Malaysian Code on Corporate Governance (“the Code”) which sets out the principles and best practices which companies should adopt to raise the standards of corporate governance.

Eastern & Oriental Berhad (“E&O”) acknowledges that corporate governance is an on-going process that requires reassessment and refinement of management practices and systems. The Board is committed to ensuring that appropriate standards of corporate governance are practiced throughout the Group. Set out below is a statement of how the Group has applied the principles of the Code and compliances with the best practices provisions.

**BOARD MEETINGS**

The Board meets at least four times a year with additional meetings whenever necessary. During the year ended 31 March 2002, five Board Meetings were held. The following is the record of attendance of the Board Members:

<u>NAMES OF DIRECTORS</u>	<u>NO. OF BOARD MEETINGS ATTENDED</u>
1. Tham Ka Hon	5
2. Datuk Henry Chin Poy Wu	5
3. Aloysius Choong Kok Sin	3
4. Kamil Ahmad Merican	5
5. Dato' Siew Ka Wei	4

**SUPPLY OF INFORMATION**

All the Directors have access to the advice and services of the Company Secretary and other Management Staff of the Group. They may also take independent advice, at the Company's expense, in furtherance of their duties if so required.

Prior to each Board meeting, all the Directors are provided with the meeting's agenda, the necessary board papers and appropriate supporting documents for a focussed discussion at the Board meeting. All the directors have the right and duty to make further enquiries when they consider necessary.

**APPOINTMENTS TO THE BOARD**

Currently, the appointment of a director is deliberated and approved by the full Board through a formal and transparent process. Upon the appointment of the Independent Director in compliance with the KLSE Listing Requirements, a Nomination and Remuneration Committee will be established by the Board to have the responsibilities of reviewing the Board composition and recommending to the Board any appointment of new directors.

**DIRECTORS' TRAINING**

All the Directors had attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia as required by the KLSE Listing Requirements. Whenever necessary, the Directors shall attend seminars and other private training programmes related to their skills and responsibilities.

**RE-ELECTION OF DIRECTORS**

In accordance with the KLSE Listing Requirements and the Company's Articles of Association, all the Directors, including the Managing Director are subject to re-election by the stockholders of the Company.

**2. DIRECTORS' REMUNERATION**

At present, the Directors' fees are determined by the full Board to ensure that the Directors are rewarded in accordance to their corporate and individual performance and on a competitive scale with other organisations within the same industry. Upon the establishment of the Nomination and Remuneration Committee, all remuneration packages and fees shall be determined by this Committee. Directors shall not participate in the deliberations and decisions of their own remuneration packages.

Directors' fees are subject to the approval of the Stockholders of the Company at its Annual General Meetings.

The aggregate remuneration of Directors for the financial year ended 31 March 2002 are as follows:

	<u>SALARIES/FEES</u>	<u>MEETING ALLOWANCES</u>	<u>BONUSES &amp; INCENTIVES</u>	<u>BENEFITS IN KIND</u>	<u>TOTAL</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors . . . . .	864	-	-	322	1,186
Non-Executives . . . . .	99	-	-	-	99
Total . . . . .	963	-	-	322	1,285

Directors' remuneration is presented below:

<u>RANGE OF REMUNERATION</u>	<u>NUMBER OF DIRECTORS</u>	
	<u>EXECUTIVE</u>	<u>NON-EXECUTIVE</u>
Below RM50,000 . . . . .	-	3
RM300,001 to RM350,000 . . . . .	1	-
RM800,001 to RM850,000 . . . . .	1	-

### 3. SHAREHOLDERS

In line with good corporate governance, the Group encourages the adoption of an open and transparent policy in respect of its relationship with its stockholders and investors. The Board acknowledges the need for stockholders to be informed of all material business matters affecting the Group.

The Group conducts dialogues with investors from time to time as a means of effective communication that enables the Board and Management to convey information about Company's performance, corporate strategies and other matters affecting stockholders' interests.

The Annual Report and Notice of Annual General Meeting ("AGM") are sent to all stockholders at least twenty-one (21) days before the date of the meeting. The AGM is the principal forum for dialogue with all of the Company's stockholders and participation in the meeting by the stockholders are encouraged in the question and answer session. The Directors are available at the meeting to respond to the questions raised.

#### 4. ACCOUNTABILITY AND AUDIT

##### FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcements to stockholders, the Board aims to present a fair assessment of the Group's position and prospects. The Board ensures that the Group's financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. This also applies to other price-sensitive public reports and reports to regulators.

##### AUDIT COMMITTEE

The Audit Committee, headed by a capable Independent Director, is governed by its written terms of reference. The Committee ensures that the information disclosed in relation to the financial statements and internal controls are accurate and adequate. Please refer to the Audit Committee Report in this Annual Report for further information on the Audit Committee.

##### INTERNAL CONTROLS

The Board acknowledges its responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management to safeguard the stockholders' investment and the Group's assets. This system, by its nature, can only provide reasonable but not absolute assurance against misstatements or losses.

The Internal Audit function of the Group has been outsourced. Reviews of internal controls in all key activities of the Group are performed in stages. The Group Internal Audit is independent of the activities they audit and is impartial with due professional care. Findings of the Group Internal Audit are reported regularly to the Audit Committee. The Board is in the process of implementing a framework for the identification, evaluation and management of significant risks.

##### RELATIONSHIP WITH THE AUDITORS

The Board maintains a formal and transparent relationship with the Auditors. The Audit Committee meets with the Auditors at least once a year and whenever necessary.

## COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Group has complied with the Best Practices of Corporate Governance with the exception of the followings:

1. APPOINTMENT OF AN ADDITIONAL INDEPENDENT DIRECTOR WHICH IS REQUIRED UNDER THE KLSE LISTING REQUIREMENTS

The Board is in the midst of identifying a suitable candidate to complement the Board.

2. ESTABLISHMENT OF A NOMINATION AND REMUNERATION COMMITTEE

This shall be carried out upon the appointment of the additional Independent Director.

3. SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board shall in due course identify a Senior Independent Non-Executive Director to whom concerns may be conveyed.

## DIRECTORS' RESPONSIBILITY STATEMENT FOR PREPARING THE AUDITED FINANCIAL STATEMENTS

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

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the year ended 31 March 2002, the Group and the Company have used and applied, on consistent basis, the appropriate accounting policies and practices under the applicable approved accounting standards in Malaysia.

## INTERNAL CONTROL STATEMENT

### INTRODUCTION

The Malaysian Code on Corporate Governance requires public listed companies to identify significant risk and maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Kuala Lumpur Stock Exchange's ("KLSE") Revamped Listing Requirements require directors of public listed companies to include a statement in the annual reports on the state of their internal controls. The KLSE's Statement on Internal Control: Guidance for Directors of Public Companies ("Guidance") provides guidance for compliance with these requirements. Set out below is the Board's Internal Control Statement, which has been prepared in accordance with the Guidance.

### RESPONSIBILITY

The Board of Directors of Eastern & Oriental Berhad ("E&O") recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieving business objectives. In addition, it should be noted that any system could only provide reasonable and not absolute assurance against material misstatements or losses.

### RISK MANAGEMENT FRAMEWORK

Major business risks and their possible financial impact are evaluated by the key executives and reviewed and endorsed by the Company's Senior Management and subsequently by the Board of Directors.

The executives, having regards to cost and benefit and the likelihood of the risk crystallising, evaluates the appropriateness of the controls. Key risks and actions to mitigate those risks are considered at Board meetings.

During the year under review, the Board engaged external advisors to assist in the development and assessment of a risk management framework.

To this end, the Board has reviewed the key risks and controls currently exist within the Group. Facilitated risk management workshops were conducted and attended by Senior management of the Group.

The assessment took into account all aspects of an internal control framework, including risk assessment, the control environment and control activities, information, communication and monitoring. Key business risks have been categorised to highlight the source of the risk, and ranked to reflect the impact of the risk and the likelihood of its occurrence.

The Board plans to develop a monitoring and reporting process to continuously evaluate and monitor the significant risks in a formalised manner, which would entail establishing procedures for reporting and monitoring of risk and controls. Regular reviews will be conducted with additional reviews as and when required.

### OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

- Clearly defined delegation of responsibilities including relevant authorisation levels;
- Clearly defined internal procedures set out in operational and administration policies and procedures;
- Close personal involvement of executive directors in monitoring and managing the main risk areas of the business; and
- Regular information provided to senior management, covering financial performance and key business indicators.

No significant internal control weaknesses were identified during the period, that may have resulted in any material losses, or uncertainties that would require disclosure in the Group's Annual Report.

### COMPOSITION OF THE AUDIT COMMITTEE:

Datuk Henry Chin Poy Wu

*Independent non-executive Director (Chairman)*

Kamil Ahmad Merican

*Non-independent non-executive Director (Member)*

Tham Ka Hon

*Non-independent executive Director (Member)*

The composition of the Audit Committee currently does not have a majority comprising independent Directors and none of the existing members are members of the Malaysian Institute of Accountants or the equivalent as required under Paragraph 15.10 of the KLSE Listing Requirements and the Terms of Reference adopted by the Board. The requirements will be complied with by the extended deadline of 30 September 2022.

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### STRUCTURE OF THE AUDIT COMMITTEE

The Audit Committee shall be appointed by the Board and shall comprise at least three (3) Directors with the majority of the members to be independent directors. The Chairman of the Committee shall be an independent director and be elected from amongst their members. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board. In the event of any vacancy in the Committee resulting in the non compliance with the KLSE Listing Requirements, the Board of Directors shall within three (3) months of that event appoint such new member (s) as may be required to comply with the KLSE Listing Requirements.

#### OBJECTIVES

The objective of the Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to internal controls, corporate accounting and reporting practices of the Group. The Committee will endeavour to adopt certain practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to the Company's shareholders.

**AUTHORITY**

The Committee is authorised by the Board to:

- i. investigate any matter within its terms of reference;
- ii. have the resources which are required to perform its duties;
- iii. have full and unrestricted access to any information pertaining to the Company;
- iv. have direct communication channels with the external auditors and person(s) carrying out the internal audit function activity (if any);
- v. obtain independent professional or other advice; and
- vi. convene any meetings with the external auditors, excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary.

**FUNCTIONS**

1. To review the following and report the same to the Board of Directors of the Company:
  - a. with the external auditor, the audit plan;
  - b. with the external auditor, his evaluation of the system of internal controls;
  - c. with the external auditor, his audit report;
  - d. the assistance given by the employees of the Company to the external auditor;
  - e. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;

- f. the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - g. the quarterly results and year end financial statements, prior to the approval of the Board of Directors, focusing particularly on:-
    - i. changes in or implementation of major accounting policy;
    - ii. significant and unusual events arising; and
    - iii. compliance with accounting standards, regulatory and other legal requirements.
  - h. any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - i. any letter of resignation from the external auditors of the Company;
  - j. whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.
2. To recommend the nomination of a person or persons as external auditors.
  3. To carry out such other functions as may be agreed to by the Audit Committee and Board of Directors.

#### MEETINGS AND REPORTING PROCEDURES

The Committee shall meet at least four times a year and to form a quorum for any meeting the majority of members present must be independent directors. The Finance Director shall be invited to attend all meetings of the Committee and the internal and external auditors will be invited to attend when appropriate.

The Company Secretary shall be the secretary of the Committee and as a reporting procedure, the minutes of meetings shall be circulated to all members of the Board.

The Audit Committee met five (5) times during the financial year ended 31 March 2002 and the record of attendance of the Audit Committee Members are as follows:

<u>NAMES OF MEMBERS</u>	<u>NO OF MEETINGS ATTENDED</u>
1. Datuk Henry Chin Poy Wu	5
2. Encik Kamil Ahmad Merican	5
3. Mr Tham Ka Hon	4

#### ACTIVITIES DURING THE YEAR

A summary of the activities of the Audit Committee in discharging its functions and duties included the following:

- i. review of the quarterly financial statements before its announcement;
- ii. review of the external auditors' reports in relation to audit, accounting and internal control issues arising from the audit and updates of the developments on accounting standards issued by the Malaysian Accounting Standards Board;
- iii. review of the audit plan of the external auditors.
- iv. review of internal audit plan; and
- v. review of related party transactions.

The Audit Committee through discussions with management and the executive directors, reviews of quarterly financial performance and input from the internal and external auditors had discharged its functions effectively during the year.

To promote higher standards of Corporate Governance, the Group has engaged an external consultancy firm to provide internal audit services.

## OTHER INFORMATION

As at 31 March 2002

### 1. UTILISATION OF PROCEEDS

The Company completed its Rights Issue exercise on 29 May 2001. Out of the total proceeds of RM61,177,000 raised from the Rights Issue exercise, RM29,809,000 is to be used for repayment of bank borrowings with the remaining balance of the proceeds to be utilised for working capital and payment of the expenses incurred for the Rights Issue.

As at 1 August 2002, there is a balance of RM3,200,000 for the repayment of the bank borrowings. The balance of the proceeds is expected to be utilised by 30 September 2002

### 2. SHARE BUYBACKS

During the financial year, the Company did not enter into any share buyback transactions.

### 3. OPTIONS OR WARRANTS

325 Warrants 2001/2002 were exercised during the financial year.

### 4. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

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

### 5. SANCTIONS AND/OR PENALTIES

During the financial year, there was a penalty imposed by the Inland Revenue Board on a subsidiary company amounting to RM900,000 for late payment of tax.

### 6. NON-AUDIT FEES

The Company did not pay the external auditors any non-audit fees during the financial year.

### 7. VARIATION IN RESULTS

There were no variances of 10% or more between the results for the financial year and the unaudited results previously announced.

### 8. PROFIT FORECAST/PROFIT GUARANTEE

The Company did not issue any Profit Forecast / Profit Guarantee during the financial year.

### 9. MATERIAL CONTRACTS

During the financial year, there were no material contracts of the Company and its subsidiaries involving directors' and major shareholders' interests.

### 10. REVALUATION POLICY

The Group does not have a revaluation policy on landed properties.

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“RRPT”)

The RRPT entered into by the Group during the financial year ended 31 March 2002 pursuant to the General Mandate approved by the Stockholders of the Company on 30 January 2002 were as follows:

TRANSACTIONING PARTY	NATURE OF TRANSACTIONS	AMOUNT (RM) (ACTUAL TO DATE OF FINANCIAL YEAR)	RELATIONSHIP AND RELATED PARTIES
KCB Group	Provision and receipt of construction, management and consultancy	10,033,000	Note 1
Terra Properties Sdn Bhd	Rental of properties and facilities	240,000	Note 2
Terra Properties Sdn Bhd	Provision of general services	57,000	Note 2
	Total	10,330,000	

**NOTES**

TKH = THAM KA HON

KCB = KAMUNTING CORPORATION BERHAD

TERRA REALTY = TERRA REALTY SDN BHD

SKW = DATO' SIEW KA WEI

ANCOM = ANCOM BERHAD

TERRA PROPERTIES = TERRA PROPERTIES SDN BHD

1. TKH is a director of KCB, E&O and some of their respective subsidiaries. TKH is also a Major Stockholder/Shareholder of E&O and KCB by virtue of his interest in Terra Realty and the voting rights agreement in respect of 11.75% interest in E&O. Terra Realty is a person connected with TKH. Chua Cheng Boon, the other shareholder of Terra Realty and the wife of TKH is also a person connected with TKH. TKH and Chua Cheng Boon are

also directors of Terra Realty. Further, Ancom holds 9.3% interest in E&O and is a Major Stockholder of E&O. SKW is a director of E&O and KCB and also a Major Stockholder of E&O by virtue of his direct interest in Ancom and those of persons connected to him, both direct and indirect namely, Ancom, Dato' Siew Nim Chee, Siew Ka Kheong, Young Ka Mun, Quek Lay Kheng, Silver Dollars Sdn Bhd and Siew Nim Chee & Sons Sdn Bhd. SKW is a person connected to Ancom

2. TKH is a director of E&O and he is a director and major shareholder of Terra Properties. Chua Cheng Boon is a director and shareholder of Terra Properties and is a person connected with TKH. Terra Properties is also a person connected with TKH.

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— INDUSTRY TRENDS —

Since the first quarter 2001 there had been some recovery in the overall property market. Although generally still in an oversupply situation, there are still opportunities and good prospects that can be exploited. With the ease of funding, relaxation of restrictions and waivers, new property launches have come to the fore and is gaining momentum.

There are various linkages that connect and impact on the property sector. The property cycle is usually linked to the business and wider economic cycle that would also include the financial and equities sector. It is a derived sector of the economy. As such, as the general economy improves so will the property sector.

## — REVIEW OF OPERATIONS —

Quality sells. A desirable location, efficient design and good reputation are key factors to ensuring the marketability of properties in this growing but more sophisticated market place. During the year, we have obtained development orders for the development of 14 bungalows adjoining the former Sri Perdana in Jalan Damansara, another 24 bungalows on the hilltop at Jalan Cenkering, Damansara Heights and 2 blocks of high end condominium (288 units) adjoining the Singapore High Commission in Jalan Tun Razak. The final building plans are being fine tuned for a launch next year.

There are now significant changes to our property portfolio. This is to take advantage of the constantly changing market conditions. Good timing and a degree of contrarism can provide us the edge in property development.

The E&O Hotel as well as the Lone Pine Hotel have both faced challenging times following events of September 11. Planning and development strategies had to be redefined and refocussed to overcome the potential devastation to the hospitality, tourism and travel industries.

The hotels' performance may be limited to what the markets can now offer but there is renewed optimism that given the increased spending power of consumers there could be a quicker recovery.

## — FINANCIAL PERFORMANCE —

For the financial year ended 31 March 2002, the Group recorded a revenue of RM91.156 million as against the revenue of RM79.398 million in the previous financial year, an increase of 14.8%.

The higher revenue was largely due to the increase from the hotel division, a result of the re-opening of the E&O Hotel, and its food and beverage business.

Despite the increased revenue, the Group suffered a loss from operations of RM5.517 million as compared to the operating profit of RM26.472 million achieved in the previous year. This was due to lower contribution from its development projects, poor performance from its hotel operations and certain provisions made for diminution in value of investments in quoted shares and investment properties.

Finance costs for the current year increased to RM28.363 million from RM22.706 million the previous year. The share of associated companies' profits of RM12.626 million helped to cushion the effect of higher finance costs.

Overall, the Group suffered net loss, after taxation and minority interest, of RM24.388 million as compared to net profit of RM8.779 million achieved in the previous financial year.

A first and final dividend of 1.0 sen per stock unit for the year ended 31 March 2002 is recommended.

### — CORPORATE MILESTONES —

An announcement was made on 28 May 2002 that the Company proposes to undertake the following:

- i. Proposed disposals by the EOB Group of its entire equity interest in a group of companies involved in property development and investment as well as a piece of land to Kamunting Corporation Berhad (“KCB”) (“Proposed Disposals”).
- ii. Proposed distribution by EOB of special cash dividend to its stockholders (“Proposed Special Dividend”); and
- iii. Proposed renounceable restricted offers for sale by EOB of certain securities in KCB (“Proposed ROS”) to the following:
  - a. EOB’s stockholders; and
  - b. KCB’s shareholders other than the EOB Group.

The Proposed Special Dividend and Proposed ROS are conditional upon the Proposed Disposals.

### — PROSPECTS —

It would seem that from an economic perspective, we have overcome our problems and would be heading for much better times. The indications are that we will hold our own and even turn in a performance that is better than expected. There is an air of quiet confidence.

In times of change, the development strategy of offering quality and innovative housing presents good opportunities. With the development orders in place and proposed rationalisation and restructuring under consideration, Kamunting Corporation Berhad with its expertise and experience in the construction field, will now leap frog into the emerging development sector. Meanwhile, Eastern & Oriental Berhad will remain in the hospitality industry but will seek out opportunities in new related businesses.

### — ACKNOWLEDGEMENT —

On behalf of the Board, I would like to extend our gratitude and appreciation to the management and staff for their efforts and dedication during the year.

Tham Ka Hon  
*Managing Director*  
8 August 2002