

# DIRECTORS' REPORT

for the financial year ended 31 December 2002

The Directors have pleasure in submitting their report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2002.

## Principal activities and corporate information

The principal activities of the Company during the financial year are those of investment holding and property development. The principal activities of the Group mainly consist of property development, property investment and holding, hotel operation, construction and investment holding. There have been no significant changes in the nature of these activities during the financial year.

The number of employees at the end of the financial year amounted to 977 (2001: 713) employees in the Group and 127 (2001: 58) employees in the Company.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Kuala Lumpur Stock Exchange.

The address of the registered office of the Company is as follows:

Penthouse, Menara IGB  
No. 1, The Boulevard, Mid Valley City  
Lingkaran Syed Putra, 59200 Kuala Lumpur

## Financial results

	Group RM '000	Company RM '000
Profit/(loss) after taxation	82,249	(10,776)
Minority interests	(3,439)	0
Net profit/(loss) for the financial year	<u>78,810</u>	<u>(10,776)</u>

## Dividends

Dividends paid, declared or proposed since the end of the Company's previous financial year are as follows:

	RM '000
(a) In respect of the financial year ended 31 December 2001, as shown in the Directors' report of that financial year, an interim dividend of 3% less tax at 28% paid on 7 January 2002.	<u>6,415</u>
(b) In respect of the financial year ended 31 December 2001, as shown in the Directors' report of that financial year, a final dividend of 2% less tax at 28% paid on 18 July 2002.	<u>4,276</u>
(c) In respect of the financial year ended 31 December 2002, a proposed first and final dividend of 3% less tax at 28% which, subject to the approval of members at the forthcoming Annual General Meeting of the Company on 30 May 2003, will be paid on 15 July 2003 to shareholders registered on the Company's Register of Members at the close of business on 30 June 2003.	<u>12,357</u>

# DIRECTORS' REPORT (CONT'D)

for the financial year ended 31 December 2002

## Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## Issue of shares

### (a) Ordinary shares of RM0.50 each ('IGB shares')

During the financial year, the Company's issued and fully paid-up share capital was increased from RM296,994,755.50 to RM572,074,018.50 by way of:

- (i) an issue of 166,548,514 new IGB shares at an issue price of RM2.50 per share as part purchase consideration for the acquisition of the entire equity interest in Tan & Tan Developments Berhad ('Tan & Tan');
- (ii) a bonus issue of 380,269,012 new IGB Shares credited as fully paid-up on the basis of one (1) new IGB Share for every two (2) IGB Shares held;
- (iii) an issue of 3,341,000 new IGB Shares for cash on the exercise of options pursuant to the Employees' share option scheme at an issue price of RM0.82 each.

The newly issued shares rank pari passu in all respects with the existing issued shares of the Company except that they are not entitled to any dividends, rights, allotments and/or other distributions unless the allotment of the new IGB Shares is made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.

### (b) 1% Irredeemable Convertible Preference Shares of RM1.00 each ('ICPS 2002/2007')

During the financial year, the Company also issued 178,444,836 ICPS 2002/2007 at par as part purchase consideration for the acquisition of the entire equity interest in Tan & Tan. The salient terms of the ICPS 2002/2007 are disclosed in note 11 to the financial statements.

### (c) Warrants 1999/2004

Pursuant to the bonus issue of new IGB shares as mentioned in note 11(a)(ii) to the financial statements, on 18 April 2002, the exercise price and the number of warrants were adjusted from RM1.50 to RM1.00 and from 118,558,214 to 177,837,221 respectively.

### (d) Employees' share option scheme ('ESOS')

The ESOS has expired on 4 November 2002. The unexercised options granted to subscribe for ordinary shares of RM0.50 each as detailed below has lapsed.

Exercise price	Number of options granted and unexercised
RM0.82	1,381,000
RM1.24	197,000
RM1.35	48,000
RM1.51	93,000
RM1.67	360,000
RM1.71	72,000
	<u>2,151,000</u>

The main features of the ESOS are set out in note 11 to the financial statements.

# DIRECTORS' REPORT (CONT'D)

for the financial year ended 31 December 2002

## Issue of Shares (continued)

### (d) Employees' share option scheme ('ESOS') (continued)

The movements during the financial year in the number of options over the shares of the Company are as follows:

	<b>Number of Options</b>
At 1 January 2002	3,671,000
Adjustments due to Bonus Issue	1,821,000
Exercised	(3,341,000)
Expired on 4 November 2002	<u>2,151,000</u>

The Company has been granted exemption by the Companies Commission of Malaysia vide their letter dated 7 February 2003 from having to disclose the list of option holders and their holdings.

A new Employees' Share Option Scheme will be implemented as disclosed in the significant events note included in this report.

## Directors

The Directors in office since the date of the last report are:

Tan Sri Abu Talib Bin Othman  
Robert Tan Chung Meng  
Tan Boon Seng  
Tan Boon Gark  
Lai Meng  
Dato' Seri Khalid Ahmad Bin Sulaiman  
Dr. Abdul Samad Bin Haji Alias  
Osman Bin Haji Ismail  
Chua Seng Yong (alternate to Robert Tan Chung Meng)  
Jeffrey Heng Wah Yong (resigned on 29 May 2002)

Mr Lai Meng, the Director retiring pursuant to Article 85 of the Company's Articles of Association, has expressed his wish not to stand for re-election at the forthcoming Annual General Meeting.

In accordance with Article 85 of the Company's Articles of Association, Tan Sri Abu Talib Bin Othman and Dato' Seri Khalid Ahmad Bin Sulaiman retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

# DIRECTORS' REPORT (CONT')

for the financial year ended 31 December 2002

## Directors' interests

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares, warrants, ICPS 2002/2007 and share options in the Company are as follows:

### In the Company

	Number of Ordinary Shares of RM0.50 each			
	1 January	Addition *	Disposal *	31 December
Tan Sri Abu Talib Bin Othman				
Direct	0	250,000	0	250,000
Robert Tan Chung Meng				
Direct	186,000	1,215,893	0	1,401,893
Indirect	203,946,771	376,108,309	146,880,680	433,174,400
Tan Boon Seng				
Direct	9,375	352,110	9,375	352,110
Tan Boon Gark				
Direct	221,000	110,500	0	331,500
Dato' Seri Khalid Ahmad Bin Sulaiman				
Direct	0	320,181	0	320,181
Indirect	125,250	62,625	0	187,875
Lai Meng				
Direct	0	105,000	0	105,000
Chua Seng Yong				
Direct	0	232	0	232

### In the Company

	Number of Warrants			
	1 January	Addition *	Disposal/ Exercised *	31 December
Robert Tan Chung Meng				
Direct	156,000	78,000	0	234,000
Indirect	52,654,523	62,879,259	37,014,545	78,519,237
Tan Boon Seng				
Direct	1,875	0	1,875	0
Tan Boon Gark				
Direct	20,000	10,000	0	30,000

### In the Company

	Number of ICPS 2002/2007			
	1 January	Addition *	Disposal *	31 December
Tan Sri Abu Talib Bin Othman				
Direct	0	250,000	0	250,000
Robert Tan Chung Meng				
Direct	0	372,893	0	372,893
Indirect	0	55,197,288	0	55,197,288
Tan Boon Seng				
Direct	0	352,110	0	352,110
Dato' Seri Khalid Ahmad Bin Sulaiman				
Direct	0	320,181	0	320,181
Chua Seng Yong				
Direct	0	232	0	232

\* Arising from acquisition of Tan & Tan

# DIRECTORS' REPORT (CONT')

for the financial year ended 31 December 2002

## Directors' interests (continued)

In the Company	Number of options (ESOS) over ordinary shares of RM0.50 each			
	1 January	Adjustment	Exercised	Expired on 4 November
Robert Tan Chung Meng	500,000	250,000	750,000	0
Lai Meng	70,000	35,000	105,000	0
Chua Seng Yong	85,000	42,500	0	127,500

By virtue of Robert Tan Chung Meng's interest in shares in the Company, he is deemed to have interest in the shares in the subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other Directors holding office at the end of the financial year held any interests in the shares, warrants, ICPS 2002/2007 and share options in the Company or its related corporations during the financial year.

## Directors' benefit

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the fees and other emoluments paid as disclosed in note 6 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Except as disclosed above, neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Statutory information on the financial statements

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent 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, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or

# DIRECTORS' REPORT (CONT')

for the financial year ended 31 December 2002

## Statutory information on the financial statements (continued)

- (b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the income statements and note 32 to the financial statements on the effect of acquisition of Tan & Tan Group; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and Company for the financial year in which this report is made.

## Significant events

### (a) Completion of acquisition of Tan & Tan Developments Berhad ('Tan & Tan')

On 31 January 2002, the acquisition of Tan & Tan was completed. The effects of the acquisition are disclosed in note 32 to the financial statements. All new securities issued arising from the acquisition comprising 166,548,514 new ordinary shares of RM0.50 each and 178,444,836 ICPS 2002/2007 were listed and quoted on the Kuala Lumpur Stock Exchange on 18 May 2002.

### (b) Proposed disposal of shares and warrants in an associate, IJM Corporation Berhad

On 28 June 2002, Commerce International Merchant Bankers Berhad ('CIMB') announced on behalf of the Board that the Company proposes to dispose 70,982,534 ordinary shares of RM1.00 each in IJM Corporation Berhad ('IJM'), representing approximately 19.58% equity interest in IJM as at 18 June 2002 and 15,891,828 IJM Warrants representing approximately 19.90% of the existing unexercised IJM Warrants as at 18 June 2002, for a total cash consideration of RM382,511,526.18 to Tronoh Mines Malaysia Berhad ('TMMB').

On 22 November 2002, TMMB announced that it had obtained approval from the Foreign Investment Committee.

On 10 March 2003, TMMB announced that it had obtained approval from the Securities Commission.

An Extraordinary General Meeting of the Company will be convened on 8 May 2003 to seek shareholders approval for the proposed disposal.

### (c) Proposed new Employees' Share Option Scheme

On 28 November 2002, CIMB announced on behalf of the Board that the Company proposes to implement a new Employees' Share Option Scheme ('ESOS') for employees and executive directors of the Company and/or its subsidiaries ('Proposed New ESOS').

On 19 February 2003, approval was obtained from the Securities Commission.

On 10 March 2003, approval was obtained from the Kuala Lumpur Stock Exchange ('KLSE') for the listing and quotation for such number of new IGB Shares arising from any exercise of the options to be granted under the Proposed New ESOS on the Main Board of the KLSE.

An Extraordinary General Meeting of the Company will be convened on 8 May 2003 to seek shareholders approval for the Proposed New ESOS.

# DIRECTORS' REPORT (CONT')

for the financial year ended 31 December 2002

## Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 18 April 2003.

**Robert Tan Chung Meng**  
Managing Director

**Dato' Seri Khalid Ahmad Bin Sulaiman**  
Director  
Kuala Lumpur

# INCOME STATEMENTS

for the financial year ended 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	4	405,689	199,880	11,239	17,754
Cost of sales		(264,074)	(129,261)	(644)	(690)
Gross profit		141,615	70,619	10,595	17,064
Other operating income		27,601	29,203	71,561	27,420
Administrative expenses		(61,591)	(37,152)	(13,994)	(3,456)
Other operating expenses		(7,623)	(39,969)	(51,446)	(16,482)
Profit from operations	5	100,002	22,701	16,716	24,546
Finance costs	7	(66,218)	(46,289)	(15,005)	(14,130)
Share of results of associates		68,448	44,469	0	0
Gain from disposal of associates		12,261	41,045	0	67,678
Profit from ordinary activities before tax		114,493	61,926	1,711	78,094
Tax:	8				
- Company and subsidiaries		(11,919)	(3,091)	(12,487)	(6,038)
- Associates		(20,325)	(9,388)	0	0
		(32,244)	(12,479)	(12,487)	(6,038)
Profit/(loss) from ordinary activities after tax		82,249	49,447	(10,776)	72,056
Minority interests		(3,439)	1,027	0	0
Net profit/(loss) for the financial year		78,810	50,474	(10,776)	72,056
Earnings per ordinary share (sen)	9				
- Basic		7.21	5.18		
- Diluted		6.40	Anti-dilutive		
Dividends per ordinary share (sen)	10	1.50	2.50	1.50	2.50

The effects of the acquisition of Tan & Tan during the financial year are disclosed in note 32 to the financial statements.



# BALANCE SHEETS

as at 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Capital and reserves</b>					
Share capital	11	572,074	296,995	572,074	296,995
1% Irredeemable					
Convertible Preference shares	11	178,445	0	178,445	0
Share premium		393,846	252,622	393,846	252,622
Revaluation and other					
reserves	12	55,182	64,462	29,258	29,258
Retained earnings	13	740,631	666,097	491,392	506,444
<b>Shareholders' equity</b>		<b>1,940,178</b>	<b>1,280,176</b>	<b>1,665,015</b>	<b>1,085,319</b>
Minority interests		77,955	20,143	0	0
<b>Non current liabilities</b>					
Term loans	14	349,925	168,811	49,711	110,061
Murabahah Underwritten					
Notes and Syndicated					
Fixed Rate Loan	14	245,000	285,000	0	0
Deferred taxation	15	60,563	1,617	1,600	1,600
		655,488	455,428	51,311	111,661
		<b>2,673,621</b>	<b>1,755,747</b>	<b>1,716,326</b>	<b>1,196,980</b>
Represented by:					
<b>Non current assets</b>					
Property, plant and					
equipment	16	1,302,228	867,556	3,359	1,855
Real property assets		160,224	47,397	38,335	38,086
Subsidiaries	17	0	0	936,723	291,907
Associates	18	833,125	541,811	248,986	247,846
Other investments	19	51,226	44,742	2,900	2,900
		2,346,803	1,501,506	1,230,303	582,594
<b>Current assets</b>					
Development properties					
and expenditure	20	443,950	158,492	0	0
Inventories	21	58,382	50,938	37,348	37,348
Marketable securities	22	12,715	14,630	9,461	11,376
Trade and other receivables	23	139,026	94,320	20,416	20,920
Amount owing by subsidiaries	24	0	0	733,941	730,012
Amount owing by associates	25	142,766	143,761	73,569	82,098
Deposits with licensed banks	26	75,134	127,832	34,018	113,150
Cash and bank balances	26	26,956	10,432	7,170	1,455
		898,929	600,405	915,923	996,359

# BALANCE SHEETS (CONT'D)

as at 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Less: Current liabilities</b>					
Trade and other payables	27	272,457	193,454	29,687	67,060
Amount owing to subsidiaries	24	0	0	267,755	227,657
Amount owing to associates	25	37,787	42,898	9,269	17,443
Bank borrowings	14	230,896	101,563	114,459	69,813
Tax		30,971	8,249	8,730	0
		<u>572,111</u>	<u>346,164</u>	<u>429,900</u>	<u>381,973</u>
<b>Net current assets</b>		<u>326,818</u>	<u>254,241</u>	<u>486,023</u>	<u>614,386</u>
		<u>2,673,621</u>	<u>1,755,747</u>	<u>1,716,326</u>	<u>1,196,980</u>

## CONSOLIDATED

## STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2002

Group	Issued and fully paid ordinary shares of RM0.50 each	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	1% Irredeemable Convertible Preference Shares of RM1.00 each	Non-distributable		Retained earnings RM'000	Total RM'000
							Share premium RM'000	Revaluation and other reserves RM'000		
<b>At 1 January 2002</b>										
As previously reported	593,989	296,995	0	0	252,622	64,462	661,821	1,275,900		
Prior year adjustment	0	0	0	0	0	0	4,276	4,276		
<b>As restated</b>	593,989	296,995	0	0	252,622	64,462	666,097	1,280,176		
Net profit	0	0	0	0	0	0	78,810	78,810		
Issue of shares:										
- Acquisition of Tan & Tan	166,549	83,274	0	0	333,097	0	0	416,371		
- Bonus issue	380,269	190,134	0	0	(190,134)	0	0	0		
- Employees' Share Options	3,341	1,671	0	0	1,069	0	0	2,740		
Share issue cost	0	0	0	0	(2,808)	0	0	(2,808)		
Issue of 1% Irredeemable Convertible Preference Shares	0	0	178,445	178,445	0	0	0	178,445		
Currency translation difference	0	0	0	0	0	3,313	0	3,313		
Goodwill arising on acquisition of subsidiaries	0	0	0	0	0	(12,593)	0	(12,593)		
Net loss not recognised in income statement	0	0	0	0	0	(9,280)	0	(9,280)		
Dividend for the financial year ended 31 December 2001	0	0	0	0	0	0	(4,276)	(4,276)		
<b>At 31 December 2002</b>	1,144,148	572,074	178,445	178,445	393,846	55,182	740,631	1,940,178		

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# CONSOLIDATED

# STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the financial year ended 31 December 2002

Group	Number of shares '000	Nominal value RM'000	Issued and fully paid ordinary shares of RM0.50 each	Number of shares '000	Nominal value RM'000	1% Irredeemable Convertible Preference Shares of RM1.00 each	Non-distributable		Retained earnings RM'000	Total RM'000
							Share premium RM'000	Revaluation and other reserves RM'000		
At 1 January 2001	593,953	296,977		0	0	0	252,582	63,336	622,038	1,234,933
As previously reported	0	0		0	0	0	0	0	10,691	10,691
Prior year adjustment	593,953	296,977		0	0	0	252,582	63,336	632,729	1,245,624
As restated	0	0		0	0	0	0	0	50,474	50,474
Net profit	36	18		0	0	0	40	0	0	58
Issue of shares:										
- Transferable Subscription Rights exercised	0	0		0	0	0	0	(1,564)	0	(1,564)
Currency translation differences	0	0		0	0	0	0	2,690	0	2,690
Revaluation of hotel properties	0	0		0	0	0	0	1,126	0	1,126
Net gain not recognised in income statement	0	0		0	0	0	0	0	0	0
Dividends for the financial year ended:										
- 31 December 2000	0	0		0	0	0	0	0	(10,691)	(10,691)
- 31 December 2001	0	0		0	0	0	0	0	(6,415)	(6,415)
At 31 December 2001	593,989	296,995		0	0	0	252,622	64,462	666,097	1,280,176

## COMPANY

## STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2002

Company	Note	Issued and fully paid ordinary shares of RM0.50 each		1% Irredeemable Convertible Preference Shares of RM1.00 each		Non-distributable reserves		Distributable Retained earnings RM'000	Total RM'000
		Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserves RM'000		
<b>At 1 January 2002</b>									
As previously reported		593,989	296,995	0	0	252,622	29,258	502,168	1,081,043
Prior year adjustment	33	0	0	0	0	0	0	4,276	4,276
<b>As restated</b>		593,989	296,995	0	0	252,622	29,258	506,444	1,085,319
Net loss		0	0	0	0	0	0	(10,776)	(10,776)
Dividends for the financial year ended:									
- 31 December 2001	10	0	0	0	0	0	0	(4,276)	(4,276)
Issue of shares:									
- Acquisition of Tan & Tan		166,549	83,274	0	0	333,097	0	0	416,371
- Bonus issue		380,269	190,134	0	0	(190,134)	0	0	0
- Employees' Share Options		3,341	1,671	0	0	1,069	0	0	2,740
Share issue cost		0	0	0	0	(2,808)	0	0	(2,808)
Issue of 1% Irredeemable Convertible Preference Shares		0	0	178,445	178,445	0	0	0	178,445
<b>At 31 December 2002</b>		<b>1,144,148</b>	<b>572,074</b>	<b>178,445</b>	<b>178,445</b>	<b>393,846</b>	<b>29,258</b>	<b>491,392</b>	<b>1,665,015</b>

for the financial year ended 31 December 2002

Company	Note	Issued and fully paid ordinary shares of RM0.50 each		1% Irredeemable Convertible Preference Shares of RM1.00 each		Non-distributable		Distributable		Total RM'000
		Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserves RM'000	Retained earnings RM'000	RM'000	
<b>At 1 January 2001</b>										
As previously reported		593,953	296,977	0	0	252,582	29,258	440,803	1,019,620	
Prior year adjustment	33	0	0	0	0	0	0	10,691	10,691	
As restated		593,953	296,977	0	0	252,582	29,258	451,494	1,030,311	
Net profit		0	0	0	0	0	0	72,056	72,056	
Issue of shares:										
- Transferable Subscription										
Rights exercised		36	18	0	0	40	0	0	58	
Dividend for the financial year ended:										
- 31 December 2000		0	0	0	0	0	0	(10,691)	(10,691)	
- 31 December 2001	10	0	0	0	0	0	0	(6,415)	(6,415)	
<b>At 31 December 2001</b>		593,989	296,995	0	0	252,622	29,258	506,444	1,085,319	

# CASH FLOW STATEMENTS

for the financial year ended 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Operating activities</b>					
Receipts from customers		383,692	171,717	2,020	4,083
Payments to contractors, suppliers and employees		(305,093)	(128,481)	(30,356)	(16,453)
Cash flow from/(used in) operations		78,599	43,236	(28,336)	(12,370)
Interest paid		(61,916)	(34,728)	(12,917)	(4,469)
Income taxes paid		(8,837)	(7,968)	(2,013)	(5,536)
Net cash generated from/(used in) operating activities		7,846	540	(43,266)	(22,375)
<b>Investing activities</b>					
Acquisition of Tan & Tan	32	(50,000)	0	(50,000)	0
Cash acquired from acquisition of Tan & Tan	32	(1,206)	0	0	0
Proceeds from sale of shares in associates		36,248	124,047	0	124,047
Proceeds from sale of investments		0	23,508	0	0
Interest received		5,444	1,917	1,423	1,732
Purchase of property, plant and equipment		(6,639)	(10,867)	(2,046)	(235)
Proceeds from sale of property, plant and equipment		8,306	133	207	117
Investment in subsidiaries		0	0	0	(1,000)
Investment in associates		(2,140)	(9,099)	(1,140)	(8,646)
Investment in other investments		0	(82)	0	0
Dividends received from subsidiaries		0	0	0	910
Dividends received from associates		31,657	19,401	4,410	10,921
Dividends received from investments		654	1,030	220	330
Repayment from subsidiaries		0	0	62,507	35,088
Repayment to subsidiaries		0	0	(2,392)	(28,384)
Advances to subsidiaries		0	0	(66,436)	0
Advances from subsidiaries		0	0	42,490	0
Repayment from associates		8,639	8,396	8,581	8,396
Advances to associates		(82)	(20,174)	(52)	(20,174)
Advances from associates		0	8,190	0	8,190
Repayment to associates		(25,222)	(4,733)	(1,461)	(4,672)
Net cash generated from/(used in) investing activities		5,659	141,667	(3,689)	126,620

# CASH FLOW STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Financing activities</b>					
Proceeds from shares issued by the Company		2,740	58	2,740	58
Share issue cost paid		(2,808)	0	(2,808)	0
Repayment of bank borrowings		(144,605)	(98,689)	(50,855)	(9,689)
Receipt of bank borrowings		95,619	90,000	35,000	30,000
Dividends paid		(10,691)	(10,691)	(10,691)	(10,691)
Fixed deposit held as security for bank guarantee facility		(11,004)	0	0	0
Net cash (used in)/generated from financing activities		(70,749)	(19,322)	(26,614)	9,678
Foreign currencies exchange difference on opening balances		113	(5)	0	0
<b>Net (decrease)/increase in cash and cash equivalents during the financial year</b>		<b>(57,131)</b>	<b>122,880</b>	<b>(73,569)</b>	<b>113,923</b>
Cash and cash equivalents at beginning of financial year		135,306	12,426	111,647	(2,276)
<b>Cash and cash equivalents at end of financial year</b>	26	<b>78,175</b>	<b>135,306</b>	<b>38,078</b>	<b>111,647</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2002

## 1. Principal activities

The principal activities of the Company during the financial year are those of investment holding and property development. The principal activities of the Group mainly consist of property development, property investment and holding, hotel operation, construction, and investment holding. There have been no significant changes in the nature of these activities during the financial year.

## 2. Summary of significant accounting policies

The following accounting policies have been used consistently in dealing with items considered material in relation to the financial statements, except for the accounting policy on dividend as disclosed in note 2(s)(iii) below.

### (a) Basis of preparation of the financial statements

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of their disposal. Inter-company transactions are eliminated on consolidation and consolidated financial statements reflect external transactions only. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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

### (c) Goodwill on consolidation

Goodwill or capital reserve arising on consolidation represents the excess or deficit of purchase price over the fair value of the net assets of subsidiaries at the date of acquisition. Goodwill or capital reserve arising on consolidation is written off against reserves in the year of acquisition.

### (d) Subsidiaries

Investments in subsidiaries are stated at cost. An allowance is made when the Directors are of the opinion that there is a permanent diminution in the value of the investments.

### (e) Associates

The Group treats as associates those enterprises in which a long term equity interest of between 20 to 50 percent is held and where the Group exercises significant influence through management participation.

Investments in associates are stated at cost or valuation. An allowance is made when the Directors are of the opinion that there is a permanent diminution in the value of the investments.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## (e) Associates (continued)

The Group's share of profits less losses of associates is included in the consolidated income statement and the Group's share of post-acquisition retained profits and reserves are added to the cost or valuation of investments in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of associates with the same financial year end as the Company and where the financial year ends are not coterminous, the amounts are taken from the management financial statements made up to the financial year end of the Group. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

## (f) Investments

Investments in quoted and unquoted shares held as long term investments are stated at cost. An allowance is made when the Directors are of the opinion that there is a permanent diminution in value of the investments. Permanent diminution in the value of an investment is recognised as an expense in the financial year in which diminution is identified.

Short term investments in quoted shares are stated at the lower of cost and market value on the aggregate portfolio basis at the balance sheet date. Increases/decreases in the carrying amount are credited/charged to the income statement.

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

## (g) Property, plant and equipment

Freehold land is stated at cost or valuation. All other property, plant and equipment except for hotel properties are stated at cost less accumulated depreciation. The valuations are performed by independent professional valuers. Freehold land of the Group has not been revalued since the last revaluation in 1996. The Directors applied the transitional provisions of International Accounting Standards ("IAS") No.16 (Revised) Property, Plant and Equipment as adopted by the Malaysian Accounting Standards Board which allows these assets to be stated at their 1996 valuation. Accordingly, these assets have been stated at their last revalued amount.

Financing costs on specific identifiable borrowings used to finance the acquisition of property, plant and equipment are capitalised and carried forward as part of property, plant and equipment. Capitalisation of borrowing costs cease when assets are ready for their intended use.

Hotel properties are stated at Directors' valuation based on independent valuers' reports. Additions subsequent to the date of valuation are stated at cost. It is the Group's policy to appraise the hotel properties once in every five years by independent professional valuers based on their open market values with additional valuations in the intervening years where market conditions indicate that the carrying values on the revalued assets are materially different from the market values. Any surplus or deficit arising therefrom will be dealt with in the Revaluation Surplus Account. A deficit, on individual hotel basis, is set off against the Revaluation Surplus Account only to the extent of a surplus credited from the previous revaluation of the hotel properties and the excess of the deficit is charged to the income statement.

No depreciation is provided for the hotel properties as it is the Group's practice to maintain these properties in such condition that the residual value is so high that depreciation would be insignificant. The related maintenance expenditure is dealt with in the income statement.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

## (h) Depreciation

Freehold land and capital work-in-progress are not depreciated.

Other lands have not been classified according to their tenure pending finalisation with the relevant authorities. Depreciation has been provided over their estimated useful life of 99 years.

Leasehold land is amortised in equal instalments over the period of the respective leases that range from 30 to 99 years.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## (h) Depreciation (continued)

Depreciation on other property, plant and equipment is calculated to write-off their cost on a straight line basis over their estimated useful lives of the assets concerned. The annual rates are:

	%
Buildings	2
Plant and machinery	10 - 20
Motor vehicles	20
Office furniture, fittings and equipment	12.5 - 33 1/3

Included in the office furniture, fittings and equipment are operating assets of subsidiaries engaged in the hotel business such as furnishing, linen, crockery and cutlery.

## (i) Real property assets

Real property assets consisting of land held for future development are stated at cost of acquisition including all related costs incurred subsequent to the acquisition on activities necessary to prepare the land for its intended use.

Such assets are transferred to development properties and expenditure when significant development work is to be undertaken and is expected to be completed within the normal operating cycle.

## (j) Construction contracts

When the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised over the period of the contract as revenue and expenses respectively. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period; the stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised when incurred.

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

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on construction contracts under receivables, deposits and prepayments. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on construction contracts under payables.

## (k) Revenue recognition

Income from property development is recognised on the percentage of completion method based on units sold, and where the outcome of the development projects can be reliably estimated. Anticipated losses are provided for in full.

Income from construction contracts (including joint venture projects) is recognised on the percentage of completion method in cases where the outcome of the contract can be reliably estimated. In all cases, anticipated losses are provided for in full.

Dividend income from investments is taken up as income when the shareholders' right to receive payment is established.

Hotel revenue is recognised upon delivery of products and customer acceptance, and performance of services, net of sales taxes and discounts.

Management fees, project management fees and rental income are recognised on accrual basis.

Interest income is recognised on accrual basis unless collectibility is in doubt in which case the recognition of such income is suspended.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## (l) Development properties and expenditure

Development properties and expenditure are stated at cost and consist of freehold and leasehold land, development expenditure plus attributable profit less progress billings and provision for foreseeable losses.

The related development costs common to the whole project comprise finance charges on borrowings directly related to the financing of development and direct costs of construction. Costs charged to the income statement are in respect of properties sold and comprised proportionate land and development costs.

Development properties are classified as current assets when significant development work have been undertaken and are expected to be completed within the normal operating cycle.

## (m) Inventories

All inventories are valued at the lower of cost and net realisable value.

Costs of unsold properties comprise proportionate cost of land and development expenditure.

Costs of hotel operating supplies are determined on a first-in, first-out basis. Allowance is made for all deteriorated, damaged, obsolete or slow-moving inventories.

## (n) Receivables

Known bad debts are written off and specific allowance is made for any considered to be doubtful of collection.

## (o) Foreign currencies

Foreign currency transactions are converted into Ringgit Malaysia at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling on that date. Exchange differences are reflected in the income statement.

Income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the financial year and balance sheets are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries and associates are taken to Exchange Fluctuation Reserve in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

The principal closing rates used in translation of foreign currency amounts are as follows:

<u>Foreign currency</u>	<u>2002</u> RM	<u>2001</u> RM
1 US Dollar	3.800	3.800
1 Singapore Dollar	2.153	2.050
1 Sterling Pound	5.919	5.500
1 Hong Kong Dollar	0.487	0.486
1 Australian Dollar	2.135	1.934

## (p) Deferred taxation

Provision is made using the liability method for taxation deferred in respect of all timing differences. Deferred tax benefits are not recognised in the financial statements unless there is a reasonable expectation of realisation in the foreseeable future.

## (q) Cash and cash equivalents

Cash and cash equivalents consists of cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## (r) Financial instruments

### (i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

### (ii) Fair value estimation for disclosure purposes

The fair value of publicly traded securities except for quoted associates is based on quoted market prices at the balance sheet date.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for each type of the financial liabilities of the Group.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

## (s) Share capital

### (i) Classification

Ordinary shares and 1% Irredeemable Cumulative Preference Shares with automatic conversion on maturity date are classified as equity.

The Group has taken advantage of the transitional provisions of MASB Standard 24 'Financial Instruments: Disclosures and Presentation', which allows financial instruments that contain both a liability and an equity element issued prior to 1 January 2003 to be stated based on predominant component part.

### (ii) Share issue cost

External costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

### (iii) Dividends

Dividends on ordinary and preference shares are recognised as liabilities when declared.

In previous year, dividends on ordinary shares are recognised as liabilities when proposed by Directors. Following the adoption of MASB 19 'Events After Balance Sheet Date', the Group has now changed this policy to recognise dividends in shareholders' equity in the financial year in which the obligation to pay is established.

## (t) Borrowings

Borrowings are initially recognised based on the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

## (u) Leases

Leases of assets where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## (u) Leases (continued)

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## 3. Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group financial risk management policies. The management regularly review these risks and approves the treasury policies, which covers the management of these risks.

### Foreign currency exchange risk

The Group operates internationally and is exposed to various currencies. Foreign currency transactions give rise to foreign exchange exposure.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

### Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises mainly from the Group's borrowings and deposits. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

### Market risk

The Group faces exposure to the risk from changes in debt and equity prices. However, management regularly reviews these risks and takes proactive measures to mitigate the potential impact of such risks.

### Credit risk

Credit risk arises when derivative instruments are used or sales are made on deferred credit term. The Group controls these risks by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures. The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are dispersed over a broad spectrum of industries and businesses. The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believe that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

### Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 4. Revenue

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
Investment income	654	1,360	8,916	15,928
Rental and rent related income	138,723	82,534	479	1,826
Sale of development properties billed to stages of completion	124,004	51,714	1,844	0
Sale of goods and services	78,819	38,933	0	0
Contract revenue	63,489	25,339	0	0
	<u>405,689</u>	<u>199,880</u>	<u>11,239</u>	<u>17,754</u>

## 5. Profit from operations

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
<b>Profit from operations is stated after charging:</b>				
Allowance for doubtful debt of:				
- Subsidiaries	0	0	48,500	8,552
- Trade and other receivables	187	90	0	18
Allowance for diminution in value of:				
- Investments in subsidiaries	0	0	0	1,532
- Marketable securities	1,915	2,189	1,915	2,189
- Unquoted investments	0	9,155	0	0
Auditors' remuneration:				
- Current financial year	521	264	115	75
- Underprovision in respect of prior financial year	0	19	0	0
Contract costs	53,289	22,256	0	0
Depreciation of property, plant and equipment	41,009	34,274	540	339
Fees paid to a professional firm in which a Director is a member	0	599	0	271
Office rent	482	516	994	452
Realised exchange losses	3	223	0	223
Staff cost (include Directors' remuneration as disclosed in note 6)	47,422	25,770	8,349	2,380
Write off of property, plant and equipment	627	85	0	0
<b>And crediting:</b>				
Bad debts recovered	55	25	0	0
Dividends received (gross) from:				
- Subsidiaries:				
- Unquoted in Malaysia	0	0	2,541	268
- Associates:				
- Quoted in Malaysia	0	0	1,996	3,287
- Quoted outside Malaysia	0	0	0	11,836
- Unquoted	0	0	4,073	78
- Quoted investments:				
- In Malaysia	306	1,011	306	459
- Outside Malaysia	348	349	0	0

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 5. Profit from operations (continued)

	Group		Company	
	2002	2001	2002	2001
	RM '000	RM '000	RM '000	RM '000
<b>And crediting: (continued)</b>				
Exchange gain:				
- Realised	3,094	1,820	2,556	0
- Unrealised	0	1,124	0	0
Interest income:				
- Subsidiaries	0	0	66,866	21,928
- Others	5,444	2,117	1,423	1,732
Profit on disposal of property, plant and equipment	3,967	117	205	117
Rental income	231	17	0	0
Write back of allowance for doubtful debts	0	586	0	420
Write back of allowance for diminution in value of other investments	2,072	0	0	0

## 6. Directors' remuneration

	Group		Company	
	2002	2001	2002	2001
	RM '000	RM '000	RM '000	RM '000
<b>Fees:</b>				
- Directors of the Company	114	112	74	62
- Other Directors	76	33	0	0
<b>Other emoluments:</b>				
- Directors of the Company	1,988	1,288	1,964	1,252
- Other Directors	924	915	0	0
<b>Benefits-in-kind</b>	100	0	63	0
	<u>3,202</u>	<u>2,348</u>	<u>2,101</u>	<u>1,314</u>

The Directors' remuneration has been included in staff cost as disclosed in note 5.

## 7. Finance costs

	Group		Company	
	2002	2001	2002	2001
	RM '000	RM '000	RM '000	RM '000
<b>Finance costs are stated after charging/(crediting):</b>				
Interest expense on borrowings	61,552	43,464	13,820	13,205
Realised exchange gain on foreign currency borrowings	0	(363)	0	(363)



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 8. Tax

	Note	Group		Company	
		2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
<b>In Malaysia</b>					
Income tax - current					
- Company and subsidiaries		(10,147)	(3,835)	(3,757)	(3,400)
- Associates		(17,521)	(9,388)	0	0
Income tax - prior years		(6,599)	0	(8,730)	0
Transfer from deferred taxation	15	4,863	744	0	700
		<u>(29,404)</u>	<u>(12,479)</u>	<u>(12,487)</u>	<u>(2,700)</u>
<b>Outside Malaysia</b>					
Income tax - current					
- Company and subsidiaries		(36)	0	0	(3,338)
- Associates		(2,804)	0	0	0
		<u>(2,840)</u>	<u>0</u>	<u>0</u>	<u>(3,338)</u>
		<u>(32,244)</u>	<u>(12,479)</u>	<u>(12,487)</u>	<u>(6,038)</u>

The effective tax rate of the Group for the financial year is lower than the statutory tax rate due to utilisation of certain subsidiaries' brought forward capital allowances of RM51,000,000.

The income tax payable of the Company for the financial year is mainly in respect of tax on interest income which is assessed separately.

## 9. Earnings per ordinary share

### (a) Basic earnings per ordinary share

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

	2002	2001
Net profit for the financial year (RM'000)	78,810	50,474
Weighted average number of ordinary shares in issue ('000)	1,093,598	974,258
Basic earnings per ordinary share (sen)	<u>7.21</u>	<u>5.18</u>

Comparative earnings per ordinary share information has been restated to take into account the effect of bonus issue as disclosed in note 11.

### (b) Diluted earnings per ordinary share

In the diluted earnings per ordinary share calculation, the ICPS 2002/2007 is assumed to have been converted into ordinary shares and no adjustment on profit for the financial year as the applicable net dividends are not due yet. In respect of warrants, a calculation is done to determine the number of ordinary shares that could have been acquired at market price (determined as the average annual share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding warrants. This calculation serves to determine the 'bonus' element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the period for the share options calculation.

	2002
Net profit for the financial year (RM'000)	78,810
Weighted average number of ordinary shares in issue ('000)	1,093,598
Adjustments for ICPS 2002/2007 ('000)	134,169
Adjustments for warrants ('000)	3,344
Weighted average number of ordinary shares for diluted earnings per ordinary share ('000)	<u>1,231,111</u>
Diluted earnings per ordinary share (sen)	<u>6.40</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 10. Dividends

Dividends declared or proposed in respect of the financial years ended 31 December are as follows:

	Group and Company			
	2002		2001	
	Gross dividend per ordinary share Sen	Amount of dividend, net of tax RM '000	Gross dividend per ordinary share Sen	Amount of dividend, net of tax RM '000
Nil (2001: Interim dividend of 3% less tax at 28% )	0	0	1.50	6,415
Proposed first and final dividend of 3% less tax at 28% (2001: final dividend of 2% less tax at 28%)	1.50	12,357	1.00	4,276
	<u>1.50</u>	<u>12,357</u>	<u>2.50</u>	<u>10,691</u>

At the forthcoming Annual General Meeting on 30 May 2003, a first and final dividend in respect of the financial year ended 31 December 2002 of 3% less tax at 28% amounting to RM12,356,799 will be proposed for shareholders' approval. These financial statements do not reflect this first and final dividend which will be accrued as a liability in the financial year ending 31 December 2003 when approved by shareholders. This represents a change in accounting treatment from that of prior years as explained in note 33 to the financial statements.

## 11. Share capital

	Group and Company	
	2002 RM '000	2001 RM '000
<b>Ordinary shares of RM0.50 each:</b>		
<b>Authorised</b>		
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>
<b>1% Irredeemable Convertible Preference Shares 2002/2007 of RM1.00 each:</b>		
<b>Authorised</b>		
At 1 January	200,000	0
Created during the financial year	0	200,000
At 31 December	<u>200,000</u>	<u>200,000</u>

### (a) Ordinary shares of RM0.50 each ('IGB shares')

During the financial year, the Company's issued and fully paid-up share capital was increased from RM296,994,755.50 to RM572,074,018.50 by way of:

- an issue of 166,548,514 new IGB Shares at an issue price of RM2.50 per share as part purchase consideration for the acquisition of the entire equity interest in Tan & Tan Developments Berhad ('Tan & Tan');
- a bonus issue of 380,269,012 new IGB Shares credited as fully paid-up on the basis of one (1) new IGB Share for every two (2) IGB Shares held;
- an issue of 3,341,000 new IGB Shares for cash on the exercise of options pursuant to the Employees' share option scheme at an issue price of RM0.82 each.

The newly issued shares rank pari passu in all respects with the existing issued shares of the Company except that they are not entitled to any dividends, rights, allotments and/or other distributions unless the allotment of the new IGB Shares is made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.

As at 31 December 2002, IJM Corporation Berhad, an associate of the Company, held 37,102,500 (2001: 24,735,000) ordinary shares in the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 11. Share capital (continued)

### (b) 1% Irredeemable Convertible Preference Shares of RM1.00 each ('ICPS 2002/2007')

On 18 April 2002, the Company also issued 178,444,836 ICPS 2002/2007 at par as part purchase consideration for the acquisition of the entire equity interest in Tan & Tan. The salient terms of the ICPS 2002/2007 are as follows:

- (i) The ICPS 2002/2007 shall be irredeemable;
- (ii) The holders of the ICPS 2002/2007 shall have the right to receive to the extent that there are sufficient net profits after taxation available for distribution for the relevant financial year including retained profits and distributable reserves brought forward as determined by the Directors and in priority to any payment in respect of any other class of shares in the capital of the Company a fixed cumulative preferential dividend at the rate of one per cent per annum (less any tax liability) and such preferential dividend to be payable annually in arrears not later than six months from the relevant financial year end;
- (iii) Each ICPS 2002/2007 holder shall have the right at any time between the hours of 9.00 a.m. and 5.00 p.m. on any Market Day commencing from the 18 April 2004 and expiring on 17 April 2007 to convert the whole of the nominal value of the ICPS 2002/2007 held by him or such part thereof as he may specify in the Notice of Conversion into ordinary and fully paid-up IGB Shares at the conversion price of RM1.33 per ordinary IGB Share.
- (iv) The ICPS 2002/2007 shall, if not converted by 17 April 2007, be automatically converted into new IGB Shares at the Conversion Price of RM1.33 per ordinary IGB Share on 18 April 2007.

### (c) Warrants 1999/2004

On 30 December 1999, there was a Rights Issue of 118,558,714 new IGB shares with 118,558,714 warrants attached at an issue price of RM1.05 for each new IGB shares with one warrant attached on the basis of one new IGB share with one warrant attached for every four existing IGB shares held. Each Warrant carries the right to subscribe for one new ordinary share at the Exercise Price of RM1.50 for a period of five years from the date of issue of the Warrant. Pursuant to the bonus issue of new IGB shares as mentioned in note 11(a)(ii) above, on 18 April 2002, the exercise price and the number of warrants were adjusted from RM1.50 to RM1.00 and from 118,558,214 to 177,837,221 respectively.

The number of unexercised warrants as at 31 December 2002 is 177,837,221 (2001: 118,558,214).

As at 31 December 2002, IJM Corporation Berhad, an associate of the Company held 7,420,500 (2001: 4,947,000) warrants in the Company.

### (d) Employees' share option scheme ('ESOS')

The ESOS has expired on 4 November 2002. The unexercised options granted to subscribe for ordinary shares of RM0.50 each as detailed below has lapsed.

Exercise price	Number of options granted and unexercised
RM0.82	1,381,000
RM1.24	197,000
RM1.35	48,000
RM1.51	93,000
RM1.67	360,000
RM1.71	72,000
	2,151,000

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 11. Share capital (continued)

### (d) Employees' share option scheme ('ESOS') (continued)

The main features of the ESOS were as follows:

- (i) The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee, appointed by the Board of Directors;
- (ii) The total number of ordinary shares to be offered under the ESOS shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any point of time during the existence of the ESOS which shall be in force for an extended period of five years expiring on 4 November 2002;
- (iii) The number of shares under options or option price or both so far as the option remain unexercised shall be adjusted following any issue of additional shares in the issued share capital of the Company by way of rights issue, capitalisation of profits or reserves or any sub-division and consolidation of the Company's shares;
- (iv) The option price at which the employees are offered to take up shares under the ESOS is the average of the mean market quotation of the shares of the Company as quoted in the Daily Official list issued by the Kuala Lumpur Stock Exchange for the five market days preceding the respective dates of offer of the options, or the par value of the shares of the Company of RM0.50, whichever is higher; and
- (v) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

The movements during the financial year in the number of options over the shares of the Company are as follows:

	<b>Number of Options</b>
At 1 January 2002	3,671,000
Adjustments due to Bonus Issue	1,821,000
Exercised	<u>(3,341,000)</u>
Expired on 4 November 2002	<u>2,151,000</u>

## 12. Revaluation and other reserves

The revaluation and other reserves comprise:

Undistributable	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
Exchange fluctuation reserves	18,565	15,252	0	0
Surplus on revaluation of properties	41,798	41,798	0	0
Surplus on revaluation of investment in an associate	29,258	29,258	29,258	29,258
Capitalisation of revenue reserves in an associate	<u>686</u>	<u>686</u>	<u>0</u>	<u>0</u>
	90,307	86,994	29,258	29,258
Goodwill arising on consolidation	<u>(35,125)</u>	<u>(22,532)</u>	<u>0</u>	<u>0</u>
	<u>55,182</u>	<u>64,462</u>	<u>29,258</u>	<u>29,258</u>
<b>Total revaluation and other reserves:</b>				
<b>At 1 January</b>	<b>64,462</b>	63,336	<b>29,258</b>	29,258
Exchange fluctuation reserves arising in the financial year	3,313	(1,564)	0	0
Surplus on revaluation of properties	0	2,690	0	0
Goodwill arising on consolidation	<u>(12,593)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>At 31 December</b>	<b><u>55,182</u></b>	<b><u>64,462</u></b>	<b><u>29,258</u></b>	<b><u>29,258</u></b>

The undistributable reserves are not distributable as cash dividends.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 13. Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of net dividends of approximately RM100,232,000 (2001: RM89,000,000) out of its distributable reserves of RM 491,392,000 (2001: RM506,444,000) as at 31 December 2002 without incurring any additional tax liabilities. The Company also has tax exempt income as at 31 December 2002 amounting to RM124,700,000 (2001: RM124,555,000) available for distribution as tax exempt dividends to shareholders.

## 14. Bank borrowings

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
<b>Current</b>				
<b>Unsecured</b>				
Short term loans	76,095	16,000	26,000	16,000
Bank overdrafts	5,628	2,958	3,110	2,958
<b>Secured</b>				
Current portion of term loans	61,600	32,105	60,349	30,855
Short term loans	80,290	20,000	25,000	20,000
Murabahah Underwritten Notes and Syndicated Fixed Rate Loan	0	30,500	0	0
Bank overdrafts	7,283	0	0	0
	<u>230,896</u>	<u>101,563</u>	<u>114,459</u>	<u>69,813</u>
<b>Non-current</b>				
<b>Unsecured</b>				
Term loans	42,000	0	0	0
<b>Secured</b>				
Term loans	307,925	168,811	49,711	110,061
Murabahah Underwritten Notes and Syndicated Fixed Rate Loan	245,000	285,000	0	0
	<u>594,925</u>	<u>453,811</u>	<u>49,711</u>	<u>110,061</u>
Total repayable	<u>825,821</u>	<u>555,374</u>	<u>164,170</u>	<u>179,874</u>
Currency exposure profile of bank borrowings is as follows:				
- US Dollar	5,500		0	
- Ringgit Malaysia	820,321		164,170	
	<u>825,821</u>		<u>164,170</u>	

The secured term loans obtained by the Group and Company respectively are secured by way of deposits of securities with market value of not less than the facility amount and fixed and collateral registered charges over certain lands and buildings, hotel properties and lands under development properties of the Group as disclosed in notes 16, 18, 19, 20 and 21 respectively.

	Group		Company	
	2002 %	2001 %	2002 %	2001 %
Weighted average effective finance rates:				
Bank overdrafts	7.68	7.53	7.29	7.53
Revolving credits	4.35	4.78	5.04	5.64
Term loans	<u>8.26</u>	<u>8.73</u>	<u>7.32</u>	<u>7.50</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 14. Bank borrowings (continued)

### Group borrowings : maturity and exposure to finance rate risk

Group	Not later	Later	Later	Later	Total
	than 1	than 1	than 2	than 5	
	year	year and	years and	years	
	RM'000	not later	not later	RM'000	RM'000
		than 2	than 5		
		years	years		
<b>At 31 December 2002:</b>					
- Fixed finance rate	40,350	80,211	151,500	60,000	332,061
- Floating finance rate	190,546	76,375	191,839	35,000	493,760
	<u>230,896</u>	<u>156,586</u>	<u>343,339</u>	<u>95,000</u>	<u>825,821</u>
<b>At 31 December 2001:</b>					
- Fixed finance rate	30,855	40,350	149,711	100,000	320,916
- Floating finance rate	70,708	61,250	61,875	40,625	234,458
	<u>101,563</u>	<u>101,600</u>	<u>211,586</u>	<u>140,625</u>	<u>555,374</u>

### Company borrowings : maturity and exposure to finance rate risk

Company	Not later	Later	Later	Later	Total
	than 1	than 1	than 2	than 5	
	year	year and	years and	years	
	RM'000	not later	not later	RM'000	RM'000
		than 2	than 5		
		years	years		
<b>At 31 December 2002:</b>					
- Fixed finance rate	40,350	49,711	0	0	90,061
- Floating finance rate	74,109	0	0	0	74,109
	<u>114,459</u>	<u>49,711</u>	<u>0</u>	<u>0</u>	<u>164,170</u>
<b>At 31 December 2001:</b>					
- Fixed finance rate	30,855	40,350	49,711	0	120,916
- Floating finance rate	38,958	20,000	0	0	58,958
	<u>69,813</u>	<u>60,350</u>	<u>49,711</u>	<u>0</u>	<u>179,874</u>

### Estimated fair values

The carrying amounts of bank overdrafts, revolving credits and term loans with floating finance rates and Murabahah Underwritten Notes balance sheet date approximated their fair values. The fair value of other borrowings with fixed finance rate at balance sheet date was as follows :

Term loans	Group 2002	
	Carrying Amount RM'000	Fair Value RM'000
	<u>332,061</u>	<u>349,467</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 14. Bank borrowings (continued)

### Murabahah Underwritten notes and syndicated fixed rate loan

A subsidiary has been granted loan facilities by financial institutions for purpose of financing the construction of Phase 1 of Mid Valley up to a maximum of RM450.0 million comprising two (2) programmes, namely:

- (a) Murabahah Underwritten Notes Issuance Facility (MUNIF) up to a maximum of RM250.0 million under the Islamic financing contract of Al-Murabahah; and
- (b) Syndicated Fixed Rate Loan (SFRL) of RM200.0 million.

The MUNIF and SFRL are secured by way of the following:

- (a) First legal mortgage on the subsidiary's land together with the properties developed under Phase 1 of Mid Valley;
- (b) Corporate Guarantee from the Company and subordination of all shareholders' loan to the subsidiary;
- (c) Debenture over the assets of the subsidiary; and
- (d) Legal assignments of:
  - (i) all sales and purchase and tenancy agreements, the contractors' performance bonds and insurance contracts;
  - (ii) Mid Valley project account; and
  - (iii) the subsidiary's rights on building contracts, design and drawings of Mid Valley.

As at 31 December 2002, the amounts outstanding for MUNIF and SFRL are as follows:

- (a) RM45 million (2001: RM115.5 million) from MUNIF is of due for repayment on 19 March 2004. The weighted average effective cost of financing at the balance sheet date was 4.40% (2001: 4.43%) for the MUNIF facility; and
- (b) RM200.0 million (2001: RM200.0 million) from SFRL which will be repayable by ten (10) half-yearly instalments of RM20 million each, commencing at the beginning of the seventh year from the first draw on 16 March 1998. This SFRL carries an interest rate of 9.50% (2001: 9.50%) per annum.

## 15 Deferred taxation

	Note	Group		Company	
		2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
At 1 January		1,617	2,361	1,600	2,300
Arising from acquisition of Tan & Tan	32	63,809	0	0	0
Transfer to income statements	8	(4,863)	(744)	0	(700)
At 31 December		<u>60,563</u>	<u>1,617</u>	<u>1,600</u>	<u>1,600</u>

Deferred taxation has been provided for all timing differences for the Company.

Subject to agreement by the Inland Revenue Board, the amount of unutilised tax losses and unabsorbed capital allowances of certain subsidiaries available for set off against their future income chargeable to tax of the respective subsidiaries amounted to RM161,502,700 and RM10,539,500 (2001: RM106,377,000 and RM60,735,000) respectively. Deferred taxation has been provided for all other timing differences, except for the unutilised tax losses and unabsorbed capital allowances.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

Group	Freehold land RM '000	Leasehold land RM '000	Other lands RM'000	Buildings RM '000	Hotel properties RM '000	Plant and machinery RM '000	Motor vehicles RM '000	Office furniture, fittings and equipment RM '000	Capital work-in-progress RM '000	Total RM '000			
											At 1 January	At cost	At valuation
<b>16. Property, plant and equipment</b>													
At 1 January	2,008	1,558	46,955	473,764	23,733	197,742	3,302	30,696	76,327	856,085			
At cost	26,999	0	0	0	64,427	0	0	0	0	91,426			
At valuation	0	0	1,298	0	0	1,367	1,198	4,074	2,741	10,678			
Additions	162,317	5,956	0	150,486	135,000	17,281	2,708	29,596	2,072	505,416			
Acquisition of Tan & Tan	0	0	0	0	0	(2,501)	0	(790)	0	(3,291)			
Write off	(517)	0	0	(4,901)	0	(262)	(1,478)	(416)	0	(7,574)			
Disposals	190,807	7,514	48,253	619,349	223,160	213,627	5,730	63,160	81,140	1,452,740			
At 31 December	0	0	953	20,313	0	43,446	2,641	12,602	0	79,955			
Charge for the financial year	0	233	460	11,750	0	20,736	588	7,242	0	41,009			
Acquisition of Tan & Tan	0	760	0	10,191	0	3,890	2,261	18,345	0	35,447			
Write off	0	0	0	0	0	(1,943)	0	(721)	0	(2,664)			
Disposals	0	0	0	(1,626)	0	(34)	(1,442)	(133)	0	(3,235)			
At 31 December	0	993	1,413	40,628	0	66,095	4,048	37,335	0	150,512			
<b>Net Book Value</b>													
At 31 December 2002	163,808	6,521	46,840	578,721	158,733	147,532	1,682	25,825	81,140	1,210,802			
At cost	26,999	0	0	0	64,427	0	0	0	0	91,426			
At valuation	190,807	6,521	46,840	578,721	223,160	147,532	1,682	25,825	81,140	1,302,228			
<b>Net Book Value</b>													
At 31 December 2001	2,008	1,558	46,002	453,451	23,733	154,296	661	18,094	76,327	776,130			
At cost	26,999	0	0	0	64,427	0	0	0	0	91,426			
At valuation	29,007	1,558	46,002	453,451	88,160	154,296	661	18,094	76,327	867,556			

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# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 16. Property, plant and equipment (continued)

Company	Buildings RM '000	Plant and machinery RM '000	Motor vehicles RM '000	Office furniture, fittings and equipment RM '000	Total RM '000
<b>2002</b>					
<b>At Cost</b>					
At 1 January	1,359	5,251	1,371	2,094	10,075
Additions	573	370	242	861	2,046
Disposals	0	0	(723)	(3)	(726)
At 31 December	<u>1,932</u>	<u>5,621</u>	<u>890</u>	<u>2,952</u>	<u>11,395</u>
<b>Accumulated Depreciation</b>					
At 1 January	242	5,251	1,354	1,373	8,220
Charge for the financial year	28	5	57	450	540
Disposals	0	0	(723)	(1)	(724)
At 31 December	<u>270</u>	<u>5,256</u>	<u>688</u>	<u>1,822</u>	<u>8,036</u>
<b>Net Book Value</b>					
At 31 December 2002	<u>1,662</u>	<u>365</u>	<u>202</u>	<u>1,130</u>	<u>3,359</u>
At 31 December 2001	<u>1,117</u>	<u>0</u>	<u>17</u>	<u>721</u>	<u>1,855</u>

### (a) Valuation

#### (i) Freehold land

The freehold land of a subsidiary stated at valuation were revalued on 8 August 1996 by the Directors based on valuations carried out by independent professional valuers based on a fair market value basis.

The tax effect in connection with the surplus arising on the revaluation of the freehold land is not provided for as there is no foreseeable intention to dispose of the freehold land.

The net book value of freehold land of the Group that would have been included in the financial statements had this not been revalued and carried at cost is RM3,419,000 (2001:RM3,419,000).

#### (ii) Hotel properties

The hotel properties of the Group stated at valuation were last revalued on 1 November 2001 by the Directors based on valuations carried out on a fair market value basis by Elvin Fernandez, member of the Institute of Surveyors, Malaysia, a partner with Khong & Jaafar Sdn Bhd, an independent qualified valuer.

The net book value of hotel properties that would have been included in the financial statements had they not been revalued is at cost of RM50,423,351 (2001:RM50,423,351).

The tax effect in connection with the surplus arising on the revaluation of the hotel properties is not provided for as there is no foreseeable intention to dispose of these properties.

The hotel properties stated at valuation of RM64,427,000 (2001:RM64,427,000) have been charged as security for certain term loan facilities as disclosed in note 14.

- (b) Land and buildings, plant and machinery and capital work-in-progress at cost of RM844,795,000 (2001: RM737,016,000) have been charged as security for certain term loan facilities as disclosed in note 14.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 17. Subsidiaries

	Company	
	2002 RM '000	2001 RM '000
Unquoted shares, at cost	939,780	294,964
Allowance for diminution in value	(3,057)	(3,057)
	<u>936,723</u>	<u>291,907</u>

Details of subsidiaries are set out in note 36.

## 18. Associates

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
<b>Quoted, at cost</b>				
Shares				
- In Malaysia	220,616	220,616	66,531	66,531
Warrants				
- In Malaysia	4,815	4,815	4,815	4,815
<b>Unquoted shares</b>				
At cost				
- In Malaysia	356,124	136,460	127,640	126,500
- Outside Malaysia	98,278	45,101	0	0
At valuation				
- In Malaysia	50,000	50,000	50,000	50,000
	<u>729,833</u>	<u>456,992</u>	<u>248,986</u>	<u>247,846</u>
Group's share of post acquisition reserves and retained earnings less losses	159,776	141,303	0	0
	<u>889,609</u>	<u>598,295</u>	<u>248,986</u>	<u>247,846</u>
Allowance for diminution in value	(56,484)	(56,484)	0	0
	<u>833,125</u>	<u>541,811</u>	<u>248,986</u>	<u>247,846</u>
Group's share of net assets	<u>833,125</u>	<u>541,811</u>		
Group's share of contingent liabilities	<u>15,091</u>	<u>15,282</u>		
<b>Market value of quoted investments</b>				
Shares				
- In Malaysia	419,685	364,697	112,641	105,567
Warrants				
- In Malaysia	30,353	20,500	30,353	20,500
	<u>450,038</u>	<u>385,197</u>	<u>142,994</u>	<u>126,067</u>

Investments in associates of the Group at cost of RM220,616,000 (2001: RM220,616,000) and of the Company at cost of RM66,531,000 (2001: RM66,531,000) have been charged as security for certain term loan facilities as disclosed in note 14.

The Group's investment in an associate was revalued by the Directors in 1992 on the basis of its underlying net assets value. The revaluation surplus of RM29,258,000 has been credited to revaluation reserve. Other than this investment, the Company has not adopted a policy of revaluing its investment in associates. The investment at valuation has not been restated to cost as the amount is not material compared with the Group's net assets.

Details of associates are set out in note 37.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 19. Other investments

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
<b>At cost</b>				
<b>Quoted shares</b>				
- Outside Malaysia	36,239	36,239	0	0
<b>Unquoted shares</b>				
- In Malaysia	8,788	6,151	2,900	2,900
- Outside Malaysia	46,339	44,564	0	0
	<u>91,366</u>	<u>86,954</u>	<u>2,900</u>	<u>2,900</u>
Allowance for diminution in value	(40,140)	(42,212)	0	0
	<u>51,226</u>	<u>44,742</u>	<u>2,900</u>	<u>2,900</u>
<b>Market value of quoted investments</b>				
- Outside Malaysia	32,830	34,111		

The quoted investments have been charged as security for certain term loan facilities as disclosed in note 14. The market value at balance sheet date of these investments approximated their fair value.

## 20. Development properties and expenditure

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
Land and development expenditure, at cost	530,520	167,854	0	0
Attributable profit less foreseeable losses	36,633	4,991	0	0
	<u>567,153</u>	<u>172,845</u>	<u>0</u>	<u>0</u>
Progress payments received and receivable	(123,203)	(14,353)	0	0
	<u>443,950</u>	<u>158,492</u>	<u>0</u>	<u>0</u>

Land and development expenditure of the Group at cost of RM 277,875,000 (RM157,054,000) have been charged as security for certain term loan and overdraft facilities as disclosed in note 14.

## 21. Inventories

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
<b>At cost</b>				
Inventories of unsold properties	56,217	50,073	37,348	37,348
Consumables	186	18	0	0
Finished goods	692	0	0	0
Hotel operating supplies	1,287	847	0	0
	<u>58,382</u>	<u>50,938</u>	<u>37,348</u>	<u>37,348</u>

Inventories of unsold properties of the Group at cost of RM343,424 (2001:RM12,725,000) have been charged as security for certain term loan facilities as disclosed in note 14.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 22. Marketable securities

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
<b>At cost</b>				
Quoted shares				
- In Malaysia	9,783	9,783	6,529	6,529
Warrants				
- In Malaysia	7,036	7,036	7,036	7,036
	<u>16,819</u>	<u>16,819</u>	<u>13,565</u>	<u>13,565</u>
Allowance for diminution in value	(4,104)	(2,189)	(4,104)	(2,189)
	<u>12,715</u>	<u>14,630</u>	<u>9,461</u>	<u>11,376</u>
<b>Market value of marketable securities</b>				
Quoted shares				
- In Malaysia	9,431	9,783	9,431	9,783
Warrants				
- In Malaysia	3,284	4,847	3,284	4,847
	<u>12,715</u>	<u>14,630</u>	<u>12,715</u>	<u>14,630</u>

## 23. Trade and other receivables

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
Trade receivables	77,663	55,588	1,450	1,147
Less: Allowance for doubtful debts	(2,740)	(2,662)	(932)	(932)
	<u>74,923</u>	<u>52,926</u>	<u>518</u>	<u>215</u>
Other receivables	41,210	33,229	15,049	17,553
Less: Allowance for doubtful debts	(1,599)	(1,490)	(1,094)	(1,094)
	<u>39,611</u>	<u>31,739</u>	<u>13,955</u>	<u>16,459</u>
Sundry deposits	3,944	1,999	349	385
Prepayments	1,373	1,675	1,022	0
Tax recoverable	19,175	5,981	4,572	3,861
	<u>139,026</u>	<u>94,320</u>	<u>20,416</u>	<u>20,920</u>
The currency exposure profile of trade receivables is as follows:				
- Ringgit Malaysia	63,847		518	
- US Dollar	10,905		0	
- Singapore Dollar	171		0	
	<u>74,923</u>		<u>518</u>	

Credit terms of trade receivables range from payment in advance to 30 days.

The Group's trade receivables consist of amounts owing by purchasers of property development, office and commercial building tenants and hotel guests. The concentration of credit risk is limited due to the Group's diversified business and large number of customers. The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believe that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 24. Amount owing by/to subsidiaries

	Company	
	2002 RM '000	2001 RM '000
Amount owing by subsidiaries	799,273	746,844
Less: Allowance for doubtful debts	<u>(65,332)</u>	<u>(16,832)</u>
	<u>733,941</u>	<u>730,012</u>
Amount owing to subsidiaries	<u>267,755</u>	<u>227,657</u>

Amount owing by/to subsidiaries represents advances and are unsecured, have no fixed terms of repayment and carried nominal interest rates on amount owing by subsidiaries (2001: nominal) except for an amount owing by a subsidiary of RM418,950,056 (2001: RM372,037,947) which carries interest at a rate of 6% (2001: 6%) per annum.

## 25. Amount owing by/to associates

	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
Amount owing by associates	146,243	147,238	77,046	85,575
Less: Allowance for doubtful debts	<u>(3,477)</u>	<u>(3,477)</u>	<u>(3,477)</u>	<u>(3,477)</u>
	<u>142,766</u>	<u>143,761</u>	<u>73,569</u>	<u>82,098</u>
Amount owing to associates	<u>37,787</u>	<u>42,898</u>	<u>9,269</u>	<u>17,443</u>

Amount owing by/to associates represents advances and are unsecured and have no fixed terms of repayment. The amount owing to associates are interest free except for an amount owing to an associate of RM5,975,000 which bears interest at 3.8% (2001: nil) per annum. The amount owing by associates are interest free (2001: nil).

## 26. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprised the following balance sheet amounts:

Note	Group		Company	
	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
Deposits with licensed banks	75,134	127,832	34,018	113,150
Cash and bank balances	26,956	10,432	7,170	1,455
Bank overdrafts	14 <u>(12,911)</u>	<u>(2,958)</u>	<u>(3,110)</u>	<u>(2,958)</u>
	<u>89,179</u>	<u>135,306</u>	<u>38,078</u>	<u>111,647</u>
Less: Fixed deposits held as security for bank guarantee facility	<u>(11,004)</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>78,175</u>	<u>135,306</u>	<u>38,078</u>	<u>111,647</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 26. Cash and cash equivalents (continued)

	Group 2002 RM '000	Company 2002 RM '000
The currency exposure profile of cash and cash equivalents is as follows:		
- Ringgit Malaysia	38,421	4,060
- US Dollar	35,034	34,018
- Singapore Dollar	1,991	0
- Hongkong Dollar	18	0
- Australian Dollar	2,711	0
	<u>78,175</u>	<u>38,078</u>

Included in the above is cash at bank amounting to RM3,493,195 and RM4,381 for the Group and Company (2001: RM405,355 and RM4,401) respectively, which are maintained in designated Housing Development Accounts pursuant to the Housing Developers (Control and Licensing) Act, 1966 and Housing Regulations, 1991 in connection with the property development projects of the Group and Company.

The weighted average effective interest rates of deposits, bank and cash balances as at financial year end are as follows:

	Group		Company	
	2002	2001	2002	2001
	%	%	%	%
Deposits with licensed banks				
- Ringgit Malaysia	2.65	2.22	0	0
- US Dollar	0.94	0	0.94	0
- Singapore Dollar	0.56	0.63	0	0
- Hongkong Dollar	0.06	2.10	0	0
- Australian Dollar	<u>3.85</u>	<u>3.78</u>	<u>0</u>	<u>3.78</u>

## 27. Trade and other payables

		Group		Company	
	Note	2002 RM '000	2001 RM '000	2002 RM '000	2001 RM '000
Trade payables		99,804	53,147	10	10
Accruals		96,669	85,528	21,178	44,785
Dividend payable		0	6,415	0	6,415
Other payables		33,341	20,803	7,551	14,969
Tenants' deposits received		36,618	14,660	948	881
Amount due to customers on contracts	28	<u>6,025</u>	<u>12,901</u>	<u>0</u>	<u>0</u>
		<u>272,457</u>	<u>193,454</u>	<u>29,687</u>	<u>67,060</u>

The currency exposure profile of trade payables is as follows:

- Ringgit Malaysia	88,351	10
- US Dollar	11,378	0
- Singapore Dollar	54	0
- Hongkong Dollar	21	0
	<u>99,804</u>	<u>10</u>

Credit terms of trade payables and amount due to customers on contracts vary from no credit to 30 days.

Included in other payables is an advance of RM7,400,000 (2001: RM14,000,000) from a related party - Wah Seong (M) Trading Co. Sdn Bhd (Note 31). The advance is unsecured, has no fixed terms of repayment and carries interest at a rate of 4.39% (2001: 7.0%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 28. Construction contracts

	Note	Company	
		2002 RM '000	2001 RM '000
Costs incurred to-date		102,148	59,374
Attributable profit		<u>1,155</u>	<u>3,345</u>
		103,303	62,719
Progress billings		<u>(109,328)</u>	<u>(75,620)</u>
		<u>(6,025)</u>	<u>(12,901)</u>
Amount due to customers on contracts	27	<u>(6,025)</u>	<u>(12,901)</u>
Retention on contracts		<u>7,180</u>	<u>3,123</u>

## 29. Segment reporting - Group

The Group is organised on a worldwide basis into four main business segments:

- Property development - development and sale of condominiums, bungalows, linked houses and shophots.
- Property investment and holding - rental income from retail and office buildings.
- Hotel - income from hotel operations.
- Construction - civil and building construction.

Other operations of the Group mainly comprise laundry, hospital, medical centre and investment holding, neither of which are of a significant size to be reported separately.

Intersegment revenues comprise construction work for internal projects and office rental on an arms length basis.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 29. Segment reporting - Group (continued)

### a) Primarily reporting format - business segment

	Property Development RM'000	Property Investment and Holding RM'000	Hotel RM'000	Construction RM'000	Others RM'000	Group RM'000
<b>2002</b>						
<b>Revenue</b>						
Total revenue	119,171	163,510	73,143	90,686	803	447,313
Intersegment revenue	(14,160)	(267)	0	(27,197)	0	(41,624)
External revenue	<u>105,011</u>	<u>163,243</u>	<u>73,143</u>	<u>63,489</u>	<u>803</u>	<u>405,689</u>
<b>Results</b>						
Segment results (external)	26,767	45,639	20,486	894	772	94,558
Unallocated income						<u>5,444</u>
Profit from operations						100,002
Finance costs						(66,218)
Share of results of associates	5,791	(38)	26,624	36,253	(182)	68,448
Gain from disposal of associates	0	0	12,261	0	0	<u>12,261</u>
Profit from ordinary activities before tax						114,493
Tax						<u>(32,244)</u>
Profit from ordinary activities after tax						82,249
Minority interests						<u>(3,439)</u>
Net profit for the financial year						<u>78,810</u>
<b>Other information</b>						
Segment assets	741,301	1,064,049	435,243	39,636	57,244	2,337,473
Associates	207,270	32,174	238,496	294,898	60,287	833,125
Unallocated assets						<u>75,134</u>
Total assets						<u>3,245,732</u>
Segment liabilities	171,861	97,108	42,692	85,936	4,181	401,778
Unallocated liabilities						<u>825,821</u>
Total liabilities						<u>1,227,599</u>
Capital expenditure	2,449	5,152	1,877	1,200	0	10,678
Depreciation	1,092	31,408	8,348	161	0	41,009



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 29. Segment reporting - Group (continued)

### a) Primarily reporting format - business segment

2001	Property Development RM'000	Property Investment and Holding RM'000	Hotel RM'000	Construction RM'000	Others RM'000	Group RM'000
<b>Revenue</b>						
Total revenue	9,516	147,644	18,214	23,809	1,107	200,290
Intersegment revenue	0	0	0	(410)	0	(410)
External revenue	<u>9,516</u>	<u>147,644</u>	<u>18,214</u>	<u>23,399</u>	<u>1,107</u>	<u>199,880</u>
<b>Results</b>						
Segment results (external)	18,141	24,640	4,925	551	(27,673)	20,584
Unallocated income						2,117
Profit from operations						22,701
Finance costs						(46,289)
Share of results of associates	(10,817)	0	3,826	40,715	10,745	44,469
Gain from disposal of associates	41,045	0	0	0	0	41,045
Profit from ordinary activities before tax						61,926
Tax						(12,479)
Profit from ordinary activities after tax						49,447
Minority interests						1,027
Net profit for the financial year						<u>50,474</u>
<b>Other information</b>						
Segment assets	219,582	936,337	215,717	10,176	50,456	1,432,268
Associates	103,214	0	151,368	275,808	11,421	541,811
Unallocated assets						127,832
Total assets						<u>2,101,911</u>
Segment liabilities	92,996	80,786	7,102	63,572	1,762	246,218
Unallocated liabilities						555,374
Total liabilities						<u>801,592</u>
Capital expenditure	237	8,965	1,571	94	0	10,867
Depreciation	442	28,693	5,135	3	1	34,274

Unallocated income represents interest income. Segment assets consist primarily of property, plant and equipment, development property expenditure, investments, inventories, receivables, marketable securities and operating cash. Segment liabilities comprise operating liabilities, taxation and deferred taxation.

Capital expenditure comprises additions to property, plant and equipment (note 16), excluding additions resulting from acquisition of Tan & Tan.

Prior year's segment data that has been represented for comparative purposes has been restated to reflect the newly reportable property investment and holding and hotel segments as a separate segment, following the acquisition of Tan & Tan on 31 January 2002.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 29. Segment reporting - Group (continued)

### (b) Secondary reporting format - geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in three main areas:

- Malaysia \* - property development, property investment and holding, hotel operation and construction
- Asia Pacific - mainly hotel operation and investment
- United Kingdom - mainly hotel operation

\* Company's home country

	Revenue RM '000	Total Assets RM '000	Capital Expenditure RM '000
<b>2002</b>			
Malaysia	400,839	3,001,944	10,678
Asia Pacific	4,850	119,285	0
United Kingdom	0	124,503	0
	<u>405,689</u>	<u>3,245,732</u>	<u>10,678</u>
<b>2001</b>			
Malaysia	199,880	2,020,802	10,867
Asia Pacific	0	32,441	0
United Kingdom	0	48,668	0
	<u>199,880</u>	<u>2,101,911</u>	<u>10,867</u>

## 30. Contingent liabilities

	Company	
	2002 RM '000	2001 RM '000
Secured guarantees of bank facilities granted to subsidiaries	<u>24,040</u>	<u>20,484</u>

The secured guarantees of bank facilities are secured by way of deposits of marketable securities with market value of not less than the facility amount and fixed and collateral registered charges over certain lands and buildings, hotel properties and development properties of the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 31. Significant related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below are carried out on terms and conditions obtainable in transactions with unrelated parties.

	Group	
	2002 RM '000	2001 RM '000
<b>(a) Associates</b>		
<b>Dividend income (gross):</b>		
- Ipoh Limited	0	11,836
- IJM Corporation Berhad	7,098	14,197
- Negara Properties (M) Berhad	706	869
- Hampshire Park Sdn Bhd	27,903	0
- Kumpulan Sierramas (M) Sdn Bhd	3,502	0
- Macroland Holdings Sdn Bhd	4,073	0
<b>Interest income from Loan stocks</b>		
- Ipoh Limited	0	1,232
<b>(Repayment from)/ Advances to:</b>		
- Great Union Properties Sdn Bhd	(8,565)	11,462
<b>Repayment to:</b>		
- Ravencroft Investments Incorporated	21,866	0
- Macroland Holdings Sdn Bhd	1,461	0

## (b) Other related parties

Wah Seong (M) Trading Co. Sdn Bhd

Cahaya Utara Sdn Bhd

Chan Hooi Chin

Golden Screen Cinemas Sdn Bhd

IJM Construction Sdn Bhd

IPS Project Supply Sdn Bhd

Sweat Club Sdn Bhd

Petro-Pipe Concrete Piles Sdn Bhd

Syn Tai Hung Trading Sdn Bhd

## Relationship

A company in which Robert Tan Chung Meng, a Director of the Company, has substantial financial interest

An associate of Wah Seong (M) Trading Co. Sdn Bhd

Close member of family of Tan Boon Gark, a Director of the Company

An associate of Permodalan Nasional Berhad, a significant shareholder of the Company

A subsidiary of IJM Corporation Berhad, an associate of the Group

A subsidiary of Wah Seong (M) Trading Co. Sdn Bhd

A subsidiary of Gold IS Berhad, a significant shareholder of the Company

A subsidiary of Wah Seong Corporation Berhad

Related to Robert Tan Chung Meng, a Director of the Company and Dato' Tan Chin Nam who are deemed majority shareholders of the Company via corporations in which they have more than 15% shareholding

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 31. Significant related party disclosures (continued)

### (b) Other related parties (continued)

	Group	
	2002 RM '000	2001 RM '000
<b>Repayment of advances from:</b>		
- Wah Seong (M) Trading Co. Sdn Bhd	6,600	0
<b>Management/Marketing fee income from:</b>		
- Cahaya Utara Sdn Bhd	1,225	1,245
<b>Progress billings paid/payable to:</b>		
- IJM Construction Sdn Bhd	0	3,887
<b>Purchases of building materials from:</b>		
- IPS Project Supply Sdn Bhd	1,458	3,367
- Petro-Pipe Concrete Piles Sdn Bhd	1,393	0
- Syn Tai Hung Trading Sdn Bhd	1,741	0
<b>Rental income received/receivable from:</b>		
- Golden Screen Cinemas Sdn Bhd	3,071	2,591
- Sweat Club Sdn Bhd	1,109	1,107
<b>Sale of development properties to:</b>		
- Chan Hooi Chin	0	1,498

Significant outstanding balance arising from the above non-trade transactions during the financial year is as follows:

		Group	
	Type of transaction	2002 RM'000	2001 RM'000
<b>Associate - Receivable</b>			
- Great Union Properties Sdn Bhd	Advances	0	11,462

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 32. Acquisition of Tan & Tan Developments Berhad and its group of companies ('Tan & Tan')

Pursuant to the completion of the acquisition on 31 January 2002, Tan & Tan has become a 100% owned subsidiary of the Company.

The purchase consideration for the acquisition of Tan & Tan Group consists of:

- cash consideration of RM50,000,000
- issuance of 166,548,514 new IGB Shares at an issue price of RM2.50 per share
- 178,444,836 ICPS at 100% of its nominal value of RM1.00 each

The effect of this acquisition on the financial results of the Group during the financial year is shown below.

	11 months ended 31.12.2002 RM'000
Turnover	115,380
Cost of sales	<u>(75,533)</u>
Gross profit	39,847
Other operating income	10,794
Administrative expenses	(17,954)
Other operating expenses	<u>(66)</u>
Profit from operations	32,621
Finance costs	(19,597)
Share of results of associates	13,189
Profit from ordinary activities before tax	<u>26,213</u>
Tax:	
- Company and subsidiaries	<u>(2,913)</u>
- Associates	<u>(3,175)</u>
	<u>(6,088)</u>
Profit from ordinary activities after tax	20,125
Minority interests	<u>(1,133)</u>
Net profit for the financial year	<u>18,992</u>

The effect of this acquisition on the financial position of the Group at the financial year end is as follows:

	31.12.2002 RM'000
Property, plant & equipment	410,374
Real property assets	112,579
Associates	285,266
Investments	5,840
Development property expenditure	269,636
Inventories	19,703
Receivables, deposits and prepayments	71,810
Amount owing by associates	9,469
Deposit, bank and cash balances	9,166
Payables	(72,980)
Amount owing to associates	(28,518)
Bank borrowings	(80,500)
Current tax liabilities	(19,495)
Bank overdraft	(7,972)
Minority interests	(43,581)
Deferred taxation	(58,945)
Long term borrowings	<u>(242,714)</u>
Group's share of net assets	<u>639,138</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 32. Acquisition of Tan & Tan Developments Berhad and its group of companies ('Tan & Tan') (continued)

Details of net assets acquired, goodwill and cash flow arising from the acquisition are as follows:

	<b>At date of acquisition RM'000</b>
Property, plant & equipment	469,969
Real property assets	106,426
Associates	307,768
Investments	5,840
Development property expenditure	223,129
Inventories	22,766
Amount owing by associates	9,912
Receivables, deposits and prepayments	42,546
Deposit, bank and cash balances	12,760
Payables	(108,122)
Amount owing to associates	(22,461)
Bank borrowings	(84,700)
Current tax liabilities	(8,583)
Bank overdraft	(13,966)
Minority interests	(42,472)
Deferred taxation	(63,809)
Long term borrowings	(224,780)
Fair value of net assets acquired	<u>632,223</u>
Goodwill	12,593
Cost of acquisition	<u>644,816</u>
Total purchase consideration	644,816
Purchase consideration discharged by shares issued	(416,371)
Purchase consideration discharged by ICPS issued	(178,445)
Purchase consideration discharged by cash	50,000
Add : Cash and cash equivalents of Tan & Tan acquired	1,206
Cash outflow on acquisition	<u>51,206</u>

Goodwill arising on this acquisition has been written off against reserves.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 33. Prior year adjustment

During the financial year, the Group changed its accounting policy with respect to the recognition of liabilities in compliance with the new MASB Standard 19 "Events After the Balance Sheet Date". This change in policy has effect on the accounting treatment for dividends.

In previous years, dividends were accrued as liability when proposed by Directors. The Group has now changed this accounting policy to recognise dividends in shareholders' equity in the period in which the obligation to pay is established in accordance with MASB Standard 19. Therefore, final dividends are now accrued as a liability after approval by shareholders at the Annual General Meeting. This change in accounting policy has been accounted for retrospectively.

The effect of the new accounting policy on the Group's and Company's financial statements is as follows:

	As previously reported RM'000	Effect of change in policy RM'000	As restated RM'000
<b>Group</b>			
At 1 January 2001:			
- Retained earnings	622,038	10,691	632,729
- Proposed dividend	10,691	(10,691)	0
At 31 December 2001:			
- Retained earnings	661,821	4,276	666,097
- Proposed dividend	4,276	(4,276)	0
<b>Company</b>			
At 1 January 2001:			
- Retained earnings	440,803	10,691	451,494
- Proposed dividend	10,691	(10,691)	0
At 31 December 2001:			
- Retained earnings	502,168	4,276	506,444
- Proposed dividend	4,276	(4,276)	0

## 34. Significant events

### (a) Completion of acquisition of Tan & Tan Developments Berhad ('Tan & Tan')

On 31 January 2002, the acquisition of Tan & Tan was completed. The effects of the acquisition are disclosed in note 32 to the financial statements. All new securities issued arising from the acquisition comprising 166,548,514 new ordinary shares of RM0.50 each and 178,444,836 ICPS 2002/2007 were listed and quoted on the Kuala Lumpur Stock Exchange on 18 May 2002.

### (b) Proposed disposal of shares and warrants in an associate, IJM Corporation Berhad

On 28 June 2002, Commerce International Merchant Bankers Berhad ('CIMB') announced on behalf of the Board that the Company proposes to dispose 70,982,534 ordinary shares of RM1.00 each in IJM Corporation Berhad ('IJM'), representing approximately 19.58% equity interest in IJM as at 18 June 2002 and 15,891,828 IJM Warrants representing approximately 19.90% of the existing unexercised IJM Warrants as at 18 June 2002, for a total cash consideration of RM382,511,526.18 to Tronoh Mines Malaysia Berhad ('TMMB').

On 22 November 2002, TMMB announced that it had obtained approval from the Foreign Investment Committee.

On 10 March 2003, TMMB announced that it had obtained approval from the Securities Commission.

An Extraordinary General Meeting of the Company will be convened on 8 May 2003 to seek shareholders approval for the proposed disposal.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 34. Significant events (continued)

### (c) Proposed new Employees' Share Option Scheme

On 28 November 2002, CIMB announced on behalf of the Board that the Company proposes to implement a new Employees' Share Option Scheme ('ESOS') for employees and executive directors of the Company and/or its subsidiaries ('Proposed New ESOS').

On 19 February 2003, approval was obtained from the Securities Commission.

On 10 March 2003, approval was obtained from the Kuala Lumpur Stock Exchange ('KLSE') for the listing and quotation for such number of new IGB Shares arising from any exercise of the options to be granted under the Proposed New ESOS on the Main Board of the KLSE.

An Extraordinary General Meeting of the Company will be convened on 8 May 2003 to seek shareholders approval for the Proposed New ESOS.

## 35. Non-cash transaction

The principal non-cash transaction during the financial year is the issue of shares as part consideration of the acquisition of Tan & Tan as disclosed in note 32.

## 36. Subsidiaries

Name of Company	Principal Activities	Place of Incorporation	Group's Interest (%)	
			2002	2001
Abad Flora Sdn. Bhd. <sup>1</sup>	Property Investment	Malaysia	100.0	0
Amanbest Sdn. Bhd. <sup>2</sup>	Dormant	Malaysia	51.0	0
Amandamai Dua Sdn. Bhd. (formerly known as Gloxinia Sdn. Bhd.) <sup>3</sup>	Investment Holding	Malaysia	100.0	0
Amandamai Satu Sdn. Bhd. (formerly known as Terra Tinggi (M) Sdn. Bhd.) <sup>4</sup>	Property Investment	Malaysia	100.0	0
Angkasa Gagah Sdn. Bhd. <sup>5</sup>	Property Development	Malaysia	100.0	0
* Asian Equity Limited <sup>6</sup>	Investment Holding	British Virgin Islands	55.0	35.0
Atar Deras Sdn. Bhd. <sup>7</sup>	Property Investment And Development	Malaysia	100.0	0
* Auspicious Prospects Ltd. <sup>8</sup>	Investment Holding	Liberia	100.0	100.0
Bagan Ajam Estate Sendirian Berhad	Property Development	Malaysia	100.0	100.0
Belimbing Hills Sdn. Bhd. <sup>9</sup>	Property Development	Malaysia	100.0	0
* Bellegrove Pte. Ltd. <sup>10</sup>	Investment Holding	Singapore	100.0	100.0
* Beswell Limited <sup>11</sup>	Investment Holding	Hong Kong	100.0	100.0
Bintang Buana Sdn. Bhd. <sup>12</sup>	Property Development	Malaysia	90.0	0
Central Review (M) Sdn. Bhd. <sup>13</sup>	Hotel Operation and Management	Malaysia	100.0	0



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 36. Subsidiaries (continued)

Name of Company	Principal Activities	Place of Incorporation	Group's Interest (%)	
			2002	2001
Cipta Klasik (M) Sdn. Bhd. <sup>14</sup>	Property Investment	Malaysia	100.0	0
Cititel Hotel Management Sdn. Bhd.	Hotel Management Services	Malaysia	60.0	60.0
City Beauty Sdn. Bhd. <sup>15</sup>	Dormant	Malaysia	100.0	0
Corpoo Holdings Sdn. Bhd.	Investment Holding	Malaysia	100.0	100.0
Courtyard Sdn. Bhd. <sup>16</sup>	Home Furnishing	Malaysia	70.0	0
Danau Bidara (M) Sdn. Bhd. <sup>17</sup>	Property Holding	Malaysia	100.0	0
Dian Rezki Sdn. Bhd.	Property Development	Malaysia	100.0	100.0
Earning Edge Sdn. Bhd. <sup>18</sup>	Investment Holding	Malaysia	65.0	30.0
Ensignia Construction Sdn. Bhd.	Construction	Malaysia	100.0	100.0
Express Management Consultants Sdn. Bhd. <sup>19</sup>	Management Services	Malaysia	100.0	100.0
* Grapevine Investments Pte. Ltd.	Investment Holding	Singapore	100.0	100.0
Hai Aun Co. Sendirian Berhad	Property Development	Malaysia	100.0	100.0
Harta Villa Sdn. Bhd. <sup>20</sup>	Property Holding	Malaysia	100.0	0
ICDC Holdings Sdn. Bhd.	Investment Holding	Malaysia	100.0	100.0
ICDC Management Sdn. Bhd. <sup>21</sup>	Management Services	Malaysia	100.0	100.0
IEH Corporation Sdn. Bhd.	Investment Holding	Malaysia	100.0	100.0
IGB Project Management Services Sdn. Bhd.	Project Management Services	Malaysia	100.0	100.0
IGB Properties Sdn. Bhd. <sup>22</sup>	Property Investment	Malaysia	100.0	100.0
IGB Real Estate Sdn. Bhd. <sup>23</sup>	Dormant	Malaysia	100.0	100.0
Innovation & Concept Development Co. Sdn. Bhd. <sup>24</sup>	Property Development & Management	Malaysia	100.0	100.0
Intercontinental Aviation Services Sdn. Bhd.	Investment Holding	Malaysia	100.0	100.0
Ipoh Garden Shopping Complex Sdn. Bhd.	Dormant	Malaysia	100.0	100.0
IT&T Engineering & Construction Sdn. Bhd.	Construction	Malaysia	100.0	100.0
Kemas Muhibbah Sdn. Bhd. <sup>25</sup>	Property Development	Malaysia	100.0	100.0

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 36. Subsidiaries (continued)

Name of Company	Principal Activities	Place of Incorporation	Group's Interest (%)	
			2002	2001
KennyVale Sdn. Bhd. <sup>26</sup>	Property Development	Malaysia	100.0	0
Kilat Security Sdn. Bhd.	Dormant	Malaysia	100.0	100.0
Kondoservis Sdn. Bhd. <sup>27</sup>	Management Services to Condominiums	Malaysia	100.0	0
K Parking Sdn. Bhd.	Investment Holding	Malaysia	100.0	100.0
+ Lingame Company Limited	Management Services	Hong Kong	100.0	100.0
Lucravest Holdings Sdn. Bhd.	Investment Holding	Malaysia	100.0	100.0
* MiCasa Hotel Limited <sup>28</sup>	Hotelier	Myanmar	65.0	30.0
Mid Valley City Sdn. Bhd.	Property Development & Property Investment	Malaysia	90.3	90.3
Mid Valley Food Management Sdn. Bhd.	Dormant	Malaysia	100.0	100.0
Mid Valley MC Sdn. Bhd. (formerly known as MVC Centre Management Services Sdn Bhd) <sup>29</sup>	Dormant	Malaysia	90.3	90.3
Mid Valley Mulia Sdn. Bhd. (formerly known as Pasirindu Sdn Bhd) <sup>30</sup>	Dormant	Malaysia	90.3	100.0
Mid Valley Properties Sdn. Bhd. (formerly known as ICDC Properties Sdn Bhd) <sup>31</sup>	Dormant	Malaysia	90.3	100.0
MIHR Sdn. Bhd. <sup>32</sup>	Hotel Management and Consultancy	Malaysia	90.0	0
Murni Properties Sdn. Bhd.	Property Development	Malaysia	100.0	100.0
MVEC Exhibition and Event Services Sdn. Bhd.	Provision of Exhibition Services	Malaysia	100.0	100.0
OPT Ventures Sdn. Bhd. <sup>33</sup>	Property Development	Malaysia	70.0	0
Outline Avenue (M) Sdn. Bhd. <sup>34</sup>	Property Investment	Malaysia	90.0	0
Pacific Land Sdn. Bhd.	Investment Holding	Malaysia	100.0	100.0
Pangkor Island Resort Sdn. Bhd.	Hotelier	Malaysia	100.0	100.0
Pebbles Enterprise Sdn. Bhd.	Property Development	Malaysia	100.0	100.0
Pekeliling Land Sdn. Bhd.	Property Holding	Malaysia	100.0	100.0
Pekeliling Property Sdn. Bhd.	Property Management & Services	Malaysia	100.0	100.0

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 36. Subsidiaries (continued)

Name of Company	Principal Activities	Place of Incorporation	Group's Interest (%)	
			2002	2001
Penang Garden Sdn. Bhd.	Property Development	Malaysia	100.0	100.0
Permata Dunia Sdn. Bhd. <sup>35</sup>	Investment Holding	Malaysia	100.0	100.0
Permata Efektif (M) Sdn. Bhd. <sup>36</sup>	Property Development	Malaysia	83.0	0
Pinex Sdn. Bhd. <sup>37</sup>	Dormant	Malaysia	100.0	0
PIR Management Services Sdn. Bhd. <sup>38</sup>	Management & Maintenance Services	Malaysia	100.0	100.0
Plaza Permata Management Services Sdn. Bhd.	Property Management Services	Malaysia	100.0	100.0
Prima Condominium Sdn. Bhd.	Investment Holding	Malaysia	100.0	100.0
Primanah Property Sdn. Bhd.	Property Development	Malaysia	100.0	100.0
Puncak Megah (M) Sdn. Bhd.	Property Development	Malaysia	100.0	100.0
Reka Handal Sdn. Bhd. <sup>39</sup>	Property Development	Malaysia	75.0	0
Riraiance Enterprise Sdn. Bhd.	Investment Holding	Malaysia	100.0	100.0
Tanah Alam Sdn. Bhd.	Property Development	Malaysia	100.0	100.0
Tanah Permata Sdn. Bhd. <sup>40</sup>	Hotelier	Malaysia	100.0	100.0
Tanobi Sdn. Bhd. <sup>41</sup>	Property Holding	Malaysia	100.0	0
Tan & Tan Developments Berhad	Property Development, Project Management Services and Investment Holding	Malaysia	100.0	7.49
Tan & Tan Realty Sdn. Bhd. <sup>42</sup>	Property Investment	Malaysia	80.0	0
T-Bond Construction Sdn. Bhd. <sup>43</sup>	Construction	Malaysia	100.0	0
Teamwork M&E Sdn. Bhd. <sup>44</sup>	Mechanical and Electrical Services to Condominiums and Apartments	Malaysia	100.0	0
TTD Sdn. Bhd. <sup>45</sup>	Hotel Operation and Management	Malaysia	100.0	0
X-Speed Sdn. Bhd.	Dormant	Malaysia	100.0	100.0
X-Speed Skatepark Sdn. Bhd. <sup>46</sup>	Dormant	Malaysia	90.3	90.3

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 36. Subsidiaries (continued)

### Notes:

- 1-5, 7, 9, 12-17, 20, 26, 27, 32-34, 36, 37, 39, 41-45 - Held by Tan & Tan Developments Berhad.  
 6 - Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd. 35.0% and 20.0% respectively.  
 8 - Held by Lingame Company Limited.  
 10 - Held by Auspicious Prospects Ltd.  
 11 - Held by Pacific Land Sdn. Bhd.  
 18 - Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd. 45.0% and 20.0% respectively.  
 19, 21 & 24 - Held by ICDC Holdings Sdn. Bhd.  
 22, 23 & 40 - Held by IT & T Engineering & Construction Sdn. Bhd.  
 25 - Held by IGB Project Management Services Sdn. Bhd.  
 28 - Held by Earning Edge Sdn. Bhd.  
 29-31 & 46 - Held by Mid Valley City Sdn. Bhd.  
 35 - Held by Corpool Holdings Sdn. Bhd.  
 38 - Held by Pangkor Island Resort Sdn. Bhd.

+ Companies audited by member firms of PricewaterhouseCoopers International

\* Companies not audited by PricewaterhouseCoopers

## 37. Associates

Name of Company	Principal Activities	Place of Incorporation	Group's Interest (%)	
			2002	2001
* Aroma Laundry and Dry Cleaners Sdn. Bhd. <sup>1</sup>	Commercial Laundrette	Malaysia	20.0	0
* Crystal Centre Properties (International) Ltd. <sup>2</sup>	Investment Holding	Hong Kong	45.0	45.0
DMV Sdn Bhd <sup>3</sup>	Property Development	Malaysia	29.9	10.0
Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. <sup>4</sup>	Investment in & Management of a Private Hospital	Malaysia	30.0	0
Gleneagles Medical Centre (Kuala Lumpur) Sdn Bhd. <sup>5</sup>	Property Development & Investment Holding in Medical Centres	Malaysia	30.0	0
+ Grapevine Investments (Hong Kong) <sup>6</sup>	Investment Holding Limited	Hong Kong	50.0	50.0
Great Union Properties Sdn. Bhd.	Hotelier	Malaysia	50.0	50.0
+ Great Union Properties (S) Pte. Ltd. <sup>7</sup>	Hotel Marketing	Singapore	50.0	50.0
* Gunung Lang Development Sdn Bhd	Property Development	Malaysia	30.0	0
Hampshire Park Sdn. Bhd. <sup>8</sup>	Property Development	Malaysia	50.0	0
* Hicom Tan & Tan Sdn. Bhd. <sup>9</sup>	Property Development & Investment Holding	Malaysia	50.0	0

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 37. Associates (continued)

Name of Company	Principal Activities	Place of Incorporation	Group's Interest (%)	
			2002	2001
IJM Corporation Berhad <sup>10</sup>	Construction, Property Development & Investment Holding	Malaysia	19.5	20.2
* Istaron Limited <sup>11</sup>	Investment Holding	Hong Kong	50.0	50.0
Johan Kekal Sdn. Bhd.	Property Development	Malaysia	50.0	50.0
Kumpulan Sierramas (M) Sdn. Bhd. <sup>12</sup>	Property Development	Malaysia	47.0	0
Kundang Properties Sdn. Bhd.	Property Development	Malaysia	50.0	50.0
* Kyami Pty. Ltd. <sup>13</sup>	Property Management & Development	Australia	40.0	0
* Macroland Holdings Sdn. Bhd.	Property Development	Malaysia	30.0	30.0
MIHR Consulting Sdn. Bhd. <sup>14</sup>	Hotel Consultancy	Malaysia	31.5	0
* Negara Properties (M) Berhad <sup>15</sup>	Property Development	Malaysia	24.6	24.6
* New Commercial Investments Limited <sup>16</sup>	Investment Holding	British Virgin Islands	49.6	35.0
Permata Alasan (M) Sdn. Bhd. <sup>17</sup>	Property Development & Property Investment	Malaysia	50.0	0
Rapid Alpha Sdn. Bhd. <sup>18</sup>	Construction	Malaysia	50.0	50.0
* Ravencroft Investments Incorporated <sup>19</sup>	Investment Holding	British Virgin Islands	49.5	41.2
* Saigon Inn Hotel Co. <sup>20</sup>	Hotelier	Vietnam	33.8	33.8
Sierramas Homeowners Berhad <sup>21</sup>	Management of Community Area of Sierramas	Malaysia	23.5	0
* Sierramas Landscape Services Sdn Bhd <sup>22</sup>	Landscaping & Horticulture	Malaysia	47.0	0
* St Giles Hotel Ltd. <sup>23</sup>	Hotelier	United Kingdom	49.5	41.2
* St Giles Hotel (Heathrow) Ltd. <sup>24</sup>	Hotelier	United Kingdom	49.6	35.0
SuCasa Sdn. Bhd. <sup>25</sup>	Hotelier & Operator of Service Apartments	Malaysia	40.0	0
Sukatan Garisan Sdn. Bhd. <sup>26</sup>	Dormant	Malaysia	50.0	50.0
* Tentang Emas Sdn. Bhd. <sup>27</sup>	Investment Holding	Malaysia	49.0	0
* Weian Investments Pte. Ltd. <sup>28</sup>	Property Development & Trading	Singapore	49.0	49.0
Wilson Parking Sdn. Bhd.	Management of Car Parks	Malaysia	0	24.5

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2002

## 37. Associates (continued)

### Notes:

- 1, 4, 5, 8, 9, 12, 13, 17, 25, 27 - Held by Tan & Tan Developments Berhad.
- 2 - Held by Istaron Limited.
- 3 - Held by Tan & Tan Developments Berhad and IGB Corporation Berhad 19.9% and 10.0% respectively.
- 6, 28 - Held by Grapevine Investments Pte. Ltd.
- 7 - Held by Great Union Properties Sdn. Bhd.
- 10 - Held by IGB Corporation Bhd, Riraianc Enterprise Sdn. Bhd. and Intercontinental Aviation Services Sdn. Bhd 3.54%, 13.21% and 2.75% respectively.
- 11 - Held by Pacific Land Sdn. Bhd.
- 14 - Held by MIHR Sdn. Bhd.
- 15 - Held by IGB Corporation Berhad and Intercontinental Aviation Services Sdn. Bhd 20.0% and 4.6% respectively.
- 16 - Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd. 31.53% and 18.02% respectively.
- 18 - Held by Ensignia Construction Sdn. Bhd.
- 19 - Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd. 27.72% and 14.10% respectively.
- 20 - Held by Crystal Centre Properties (International) Ltd.
- 21, 22 - Held by Kumpulan Sierramas (M) Sdn. Bhd.
- 23 - Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd 27.72% and 14.10% respectively.
- 24 - Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd 31.53% and 18.02% respectively.
- 26 - Held by Johan Kekal Sdn. Bhd.

+ Companies audited by member firms of PricewaterhouseCoopers International

\* Companies not audited by PricewaterhouseCoopers



# STATEMENT BY DIRECTORS PURSUANT TO

Section 169(15) of the Companies Act, 1965

We, Robert Tan Chung Meng and Dato' Seri Khalid Ahmad Bin Sulaiman two of the Directors of IGB Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 69 to 115 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and Company as at 31 December 2002 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 18 April 2003.

**Robert Tan Chung Meng**  
Managing Director

**Dato' Seri Khalid Ahmad Bin Sulaiman**  
Director

# STATUTORY DECLARATION PURSUANT TO

Section 169(16) of the Companies Act, 1965

I, Chai Lai Sim, the officer primarily responsible for the financial management of IGB Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 69 to 115 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.

**Chai Lai Sim**

Subscribed and solemnly declared by the abovenamed Chai Lai Sim at Kuala Lumpur on 18 April 2003.

Before me:

Commissioner for Oaths



# REPORT OF THE AUDITORS TO THE MEMBERS OF IGB CORPORATION BERHAD

for the financial year ended 31 December 2002

We have audited the financial statements set out on pages 69 to 115. 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 approved auditing standards 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 Directors, as well as evaluating the overall financial statement presentation. 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 the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and Company as at 31 December 2002 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

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

The names of the subsidiaries of which we have not acted as auditors are indicated in note 36 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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 auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of Section 174 of the Act.

**PricewaterhouseCoopers**  
(AF: 1146)  
Chartered Accountants

**Shirley Goh**  
(No. 1778/08/04(J))  
Partner of the firm

Kuala Lumpur  
18 April 2003