

# Responsibility Statement By the Board of Directors

The Directors are required to prepare Financial Statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of each financial year and of their results and their cash flows for the year then ended.

In preparing the Financial Statements, the Directors have:-

- Considered the applicable approved Malaysian Accounting Standards.
- Adopted and consistently applied appropriate accounting policies.
- Made judgements and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy, the financial position of the Company and the Group which enable them to ensure that the Financial Statements comply with the Companies Act 1965.

The Directors are generally responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

# Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

## PRINCIPAL ACTIVITIES

The Company is a property and investment holding company.

The principal activities of its subsidiary companies consist of:

- (i) property and investment holding;
- (ii) property development;
- (iii) building and civil works; and
- (iv) operation of hotel.

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

## RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Loss before taxation	6,208	9,845
Taxation	1,254	857
Net loss for the year	<u>7,462</u>	<u>10,702</u>

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

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

## REDEEMABLE SECURED LOAN STOCKS

On 18 August 1993, the Company issued RM85,742,921 nominal value of 6% Redeemable Secured Loan Stocks 1993/1998 (the "Loan Stocks"). The Loan Stocks constituted by a Trust Deed dated 19 June 1993 and amended by the Amendment Trust Deed dated 14 June 1997 and the Supplemental Trust Deed dated 29 October 1998 were redeemable in cash at nominal value upon maturity on 17 August 2000 at an interest rate of 15% per annum.

On 30 January 2003, the Loan Stocks together with the outstanding interest were fully redeemed and settled through a RM64,000,000 short term loan facility obtained from a financial institution. The short term loan carries an option for conversion to an 11-year term loan facility.

## EMPLOYEES' SHARE OPTIONS SCHEME

The Company's Employees' Share Options Scheme (the "Scheme") was approved by the shareholders at an Extraordinary General Meeting held on 29 July 1993. Pursuant to the Scheme which became effective on 6 August 1993, options to subscribe for ordinary shares of RM1 each are granted to eligible employees of the Group including executive directors of the Company. The main features of the Scheme are:

- (i) Eligible employees are employees of the Group (including executive directors) who have been confirmed in the employment of the Group for at least twelve months before the offer date;
- (ii) The total number of shares to be offered under the Scheme shall not exceed ten (10) percent of the issued share capital of the Company at any point in time during the existence of the Scheme;
- (iii) No option shall be granted for less than 1,000 shares nor more than 500,000 shares to any selected employee;
- (iv) The option price for each RM1 share shall be the average of the mean market quotation of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five trading days preceding the respective dates of offer of the options, or at the par value of the ordinary shares of the Company, whichever is the higher; and
- (v) The Scheme shall continue to be in force for a period of five (5) years commencing from 6 August 1993.

At an Extraordinary General Meeting held on 12 November 1998, extension of the option period to 5 August 2003 was approved. No further extension was sought upon its expiry on 5 August 2003.

The share options' exercise prices ranged from RM1.06 to RM4.94. The movements in the number of share options during the year are as follows:

	<b>Number of. Share Options. '000.</b>
At 1 January 2003	9,879.
Lapsed during the year	(9,879)
At 31 December 2003	<u>          - -</u>

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

- Tun Dato' Seri Abdul Hamid bin Omar
- Dato' Yap Sing Hock
- Khow Eng Guan
- Cheong Marn Seng
- Lim Meng Hua
- Dato' Yaacob bin Md Amin
- Yeoh Chong Keat
- Ir. Aw Tee Wan

## DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 25 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM1 each			
	1 January 2003/ Date of Appointment	Bought	Sold	31 December 2003
<b>The Company</b>				
Direct Interest				
Dato' Yap Sing Hock	16,712,500	-	375,000	16,337,500
Ir. Aw Tee Wan	2,055,000	2,423,000	309,000	4,169,000
<b>Indirect Interest</b>				
Dato' Yap Sing Hock	500,000	-	-	500,000

Dato' Yap Sing Hock by virtue of his interests in shares in the Company is also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors who held office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## ISSUE OF SHARES

During the year, the Company's issued and paid-up share capital was increased to RM298,029,546 comprising 298,029,546 ordinary shares of RM1 each arising from the conversion of RM13,801,123 nominal value of 5-year 2% ICULS into 13,801,123 new ordinary share of RM1 each.

The new ordinary shares rank pari passu in all respects with existing ordinary shares except that they will not be entitled to any dividend, rights and other distribution declared in respect of the financial period prior to the financial period in which the ICULS are converted.

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### **SIGNIFICANT EVENT**

Significant event during the year is as disclosed in Note 34 to the financial statements.

### **SUBSEQUENT EVENT**

Subsequent event is as disclosed in Note 35 to the financial statements.

### **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

**Dato' Yap Sing Hock**

**Khaw Eng Guan**

Kuala Lumpur, Malaysia  
28 April 2004

# Statement by Directors & Statutory Declaration

## **STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965**

We, **Dato' Yap Sing Hock** and **Khow Eng Guan**, being two of the directors of **Lien Hoe Corporation Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 84 are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

**Dato' Yap Sing Hock**

**Khow Eng Guan**

Kuala Lumpur, Malaysia  
28 April 2004

## **STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965**

I, **Khow Eng Guan**, being the director primarily responsible for the financial management of **Lien Hoe Corporation Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 84 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed Khow Eng Guan  
at Kuala Lumpur in the Federal Territory  
on 28 April 2004.

**Khow Eng Guan**

Before me,

Neoh Swee Kee  
Persurujaya Sumpah  
Kuala Lumpur, Malaysia

# Report of the Auditors

## **REPORT OF THE AUDITORS TO THE MEMBERS OF LIEN HOE CORPORATION BERHAD**

We have audited the accompanying financial statements set out on pages 33 to 84. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As disclosed in Notes 8 and 14 to the financial statements, other receivables of the Group and the Company include the following:

- (i) an unsecured advance of RM10,655,000 which was rescheduled in 2002 with the first instalment due on 31 December 2003. On the due date, the Company rescheduled this instalment to 30 June 2004 and no provision has been made.
- (ii) amounts of RM15,999,000 which are collateralised by the Company's irredeemable convertible unsecured loan stocks ("ICULS") with nominal value of RM14,300,000 and carrying value of RM5,506,000 upon conversion to ordinary shares as at 31 December 2003. No adjustment has been made in the financial statements for the potential shortfall of RM10,493,000 upon the conversion or realisation of these ICULS.

Had a provision been made against these debts, the net loss for the year for the Group and the Company would increase by RM21,148,000 and the net receivable balances would have been reduced by the same amount.

In our opinion, except for the effects on the financial statements of the matters referred to in the preceding paragraph, the financial statements have been properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

- (i) the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
- (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements.

In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 6 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the 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 subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Without further qualifying our opinion, we draw attention to Note 2 to the financial statements which explains that the validity of the preparation of the financial statements on the going concern basis is dependent on the successful implementation of the Company's alternative plans for disposal of assets and debt reduction.

**Ernst & Young**

AF: 0039

Chartered Accountants

**Choong Mei Ling**

No. 1918/09/04 (J)

Partner

Kuala Lumpur, Malaysia

29 April 2004