

Pan Malaysia Holdings Berhad

(formerly known as Pengkalen Holdings Berhad)

Company No:95469-W

Laporan Tahunan 1999 Annual Report

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Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the Company will be held at Ming Crystal Ballroom, MingCourt Vista Hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 22nd June, 2000 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the audited statement of accounts for the financial year ended 31st December, 1999 together with the Directors' and Auditors' reports thereon.
2. To consider and, if thought fit, pass a resolution that pursuant to Section 129(6) of the Companies Act, 1965, Dato' Abdul Aziz bin Ahmad be re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company.
3. To re-elect Directors retiring under the provisions of the Articles of Association of the Company.
4. To re-appoint Messrs BDO Binder as Auditors of the Company and to authorise the Directors to fix their remuneration.
5. To transact any other business of which due notice shall have been received.

By order of the Board

Chik Wai Ming
Company Secretary

Kuala Lumpur
6th June, 2000

Note:-

1. A member entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Such proxy, if not a member of the Company, must be a qualified legal practitioner, an approved company auditor, a person approved by the Registrar of Companies in a particular case or a person approved by the Directors. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. The instrument appointing a proxy must be deposited at the Registered Office, Suite 5.1, 5th Floor, Menara Pengkalen, No.2, Jalan Changkat Ceylon, 50200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
3. Where the Proxy Form is executed by a corporation, it must either be under its Common Seal or under the hand of an Attorney duly authorised.

Corporate Information

Board of Directors

Dato' Mohd Ibrahim bin Mohd Zain, D.S.P.N., Chairman

Khet Kok Yin, Managing Director

Dato' Choong Kok Min, D.P.T.J., P.J.K., Executive Director

Dato' Abdul Aziz bin Ahmad, D.S.D.K., D.P.M.J., J.M.N., K.M.N., J.B.S.

Tan Sri Dato' Abu Talib bin Othman, P.M.N., P.S.M., S.I.M.P., S.S.S.A., D.G.S.M., D.P.M.S., D.P.M.N., D.C.S.M., J.S.M., K.M.N., P.P.T.

Christopher Martin Boyd

Datuk Mohd Yassin bin Jaafar, P.N.B.S., J.M.N., K.M.N., A.M.N., A.S.K.

Dato' Rastam bin Abdul Hadi, P.G.D.K., D.C.S.M., D.P.M.T., K.M.N.

Yong Ming Sang @ Yeoh Beng Sang

Secretary

Chik Wai Ming

Registered Office

Suite 5.1, 5th Floor, Menara Pengkalen

No. 2, Jalan Changkat Ceylon

50200 Kuala Lumpur

Tel No: 03-2016722

Registrar

Pan Malaysia Management Sdn Bhd

6th Floor, MUI Plaza

Jalan P. Ramlee

50250 Kuala Lumpur

Auditors

BDO Binder Public Accountants

Principal Bankers

Bank Utama (Malaysia) Berhad

Citibank Berhad

EON Bank Berhad

Malayan Banking Berhad

Multi-Purpose Bank Berhad

OCBC Bank (Malaysia) Berhad

Stock Exchange Listing

The Main Board of the Kuala Lumpur Stock Exchange

The Audit Committee

MEMBERS OF THE COMMITTEE

Dato' Mohd Ibrahim bin Mohd Zain (Chairman, Independent Non-Executive Director)

Datuk Mohd Yassin bin Jaafar (Independent Non-Executive Director)

Khet Kok Yin (Managing Director)

TERMS OF REFERENCE

Membership

1. The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three members, the majority of whom shall not be:-
 - (a) executive directors of the Company or any related corporation;
 - (b) a spouse, parent, brother, sister, son or adopted son or daughter or adopted daughter of an executive director of the Company or of any related corporation;
 - (c) any person having a relationship which, in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the functions of the Committee.
2. The members of the Committee shall elect a Chairman from among their numbers who is not an executive director or employee of the Company or any related corporation.
3. If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three, the Board shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.
4. The term of office of the members of the Committee should be reviewed by the Board every two years.

Authority

5. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
6. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Functions

7. The functions of the Committee shall be:-
 - (a) to review
 - (i) with the external auditors, the audit plan;
 - (ii) with the external auditors, their evaluation of the system of internal accounting controls;
 - (iii) with the external auditors, their audit report;
 - (iv) the assistance given by the Company's officers to the auditors;
 - (v) the scope and results of the internal audit procedures;
 - (vi) the balance sheets and profit and loss accounts of the Company and the Group and thereafter to submit them to the directors of the Company;
 - (vii) any related party transactions that may arise within the Company or Group; and
 - (b) to nominate a person or persons as auditorstogether with such other functions as may be agreed to by the Committee and the Board of Directors.

Chairman's Statement

On behalf of the Board of Directors, I present herewith the Annual Report and Accounts of our Company and the Group for the financial year ended 31st December, 1999.

Our objective of transforming the Group into a financially stronger organisation for the just-concluded financial year has been met. By the end of 1999, we had successfully implemented a rationalisation of the Group's operations, including the restructuring of our two stockbroking subsidiary companies and the food and confectionery business. Your newly renamed Company, Pan Malaysia Holdings Berhad ("PM Holdings") and its subsidiary companies are now poised for growth and performance in the year 2000 and beyond, with a much stronger balance sheet, more focussed strategies and brighter business prospects.

ECONOMIC REVIEW

The year 1999 marked a turning point for the Malaysian economy which rebounded from a contraction of 7.5% in 1998 to a positive growth of 5.4% in real Gross Domestic Product. The economic recovery was due to the strong external demand and the implementation of several measures by the government to stabilise the currency, increase liquidity, expedite fiscal stimulus projects and strengthen the financial system. On the supply side, manufacturing and services grew by 13.5 % and 2.9% respectively. The Kuala Lumpur Stock Exchange Composite Index ("KLCI") more than tripled from its low point in September 1998 to February 2000, from 262.7 points to 982.2 points respectively.

Inflation was well under control at approximately 2.8% and interest rates remained low with the three-month interbank rate falling to 3.18% at end of 1999.

FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATIONS

Our corporate priority in 1999 was the operational and financial restructuring of the entire Group. For the financial year ended 31st December, 1999, the Group recorded turnover of RM416.0 million, a 24% decrease from the previous year. Consolidated loss before tax was RM90.1 million, compared to RM1,010.6 million last year. The sharp reduction in losses from the previous year was mainly due to the write back of interest expense waived under the schemes of arrangement and lower provision for doubtful debts. The Group's bank borrowings also substantially reduced to RM200.6 million from RM1,319.6 million.

Overall turnover was mainly dampened by low turnover from the Financial Services Division under Pan Malaysia Capital Berhad ("PM Capital") and the disposal of the food and confectionery business. The two stockbroking subsidiary companies of PM Capital, namely PM Securities Sdn Bhd ("PM Securities") and Pan Malaysia Equities Sdn Bhd ("PM Equities"), remained under trading restrictions throughout the year. Trading volumes at the stockbroking subsidiary companies were limited by the upfront cash requirement for purchase transactions.

The Property and Leisure Division posted at 10.8% improvement in turnover mainly due to better results from its travel business which benefited from group synergy, especially through an affiliate company in Hong Kong. The Division also saw a name change for our Paradise Lagoon Hotel, formerly the Delta Paradise Lagoon Hotel. Despite the JE scare in early 1999 and stiff competition in the Port Dickson area with the opening of two new competing hotels in the last quarter of 1998, the Paradise Lagoon Hotel managed to maintain its position as one of the top hotel destinations in Port Dickson.

The Manufacturing and Trading Division posted an overall 17.9% decline in turnover from the previous year. This was partly attributed to the placement under receivership of two subsidiary companies in the Division that did not receive their

creditors' approval of their proposed schemes of arrangement. The ready-mixed concrete business was also negatively affected by the consolidation of major players in the industry and stiff price competition. The printing operation reported lower profits due to difficult trading conditions but managed to strengthen its financial position on reduced gearing.

CORPORATE DEVELOPMENTS

Corporate Restructuring

The corporate restructuring exercise that began in mid-1998 was successfully carried out with the implementation of the rights issues of the Company and PM Capital on 21st December, 1999 and 28th December, 1999 respectively, concurrently with the implementation of the schemes of arrangement of the Company and certain of its subsidiary companies on 29th December, 1999. Under the Company's and PM Capital's rights issues, 198.6 million new ordinary shares of RM1.00 in the Company and 168.7 million new ordinary shares of RM1.00 in PM Capital were issued at an issue price of RM1.00 per share respectively. RM142.8 million of the funds raised by the Company were in turn used for its subscription to PM Capital's rights issue. RM165.0 million of the funds raised by PM Capital were used for its subscription to the rights issues of its two stockbroking subsidiary companies, totalling 65.0 million new ordinary shares of RM1.00 each in PM Securities and 100.0 million new ordinary shares of RM1.00 each in PM Equities.

The Company issued 319.7 million new ordinary shares of RM1.00 each and 110.9 million new irredeemable convertible preference shares ("ICPS") of RM1.00 each, credited as fully paid-up, for settlement with scheme creditors of the Company and certain of its subsidiary companies pursuant to their schemes of arrangement. 81,000 new ICPS of RM1.00 each were also issued at an issue price of RM1.00 per ICPS for cash for the purpose of meeting the spread requirement to enable the listing and quotation of the ICPS on the Kuala Lumpur Stock Exchange ("KLSE"). PM Capital issued its relevant new ICPS credited as fully paid-up, and redeemable convertible bond at 100% nominal value to scheme creditors of PM Securities and PM Equities pursuant to their schemes of arrangement. Additionally, PM Securities and PM Equities issued their relevant new ordinary shares and redeemable non-convertible preference shares ("RNPS") and in the case of PM Equities also its redeemable exchangeable preference shares ("REPS") to PM Capital pursuant to their schemes of arrangement for the settlement of their scheme creditors by PM Capital and a subordinated loan owing by PM Equities to PM Capital. The issuance of these new ordinary shares, RNPS and REPS, by PM Securities and PM Equities, credited as fully paid-up, further strengthen their capital base and financial position.

The new ordinary shares and ICPS issued by the Company and PM Capital under their rights issues and the schemes of arrangement are listed on the Main Board of the KLSE.

PM Equities and PM Securities had their trading restrictions lifted on 2nd February, 2000 and 10th February, 2000, respectively.

Disposal of The Food and Confectionery Division

The disposals of the interest in Network Foods International Ltd and Network Foods Limited which are in food and confectionery business were completed in September 1999. This move was in line with the Group's restructuring and consolidation exercise which will allow the Group to concentrate on its core stockbroking business while at the same time further reduces the Group's borrowings.

OUTLOOK FOR THE YEAR 2000

The eventful year was capped by an equally uneventful and smooth crossover into the year 2000 without any Y2K related glitches. With the implementation of the corporate restructuring exercise, the financial strength of the Group has greatly improved. The Group's core activities are now focussed mainly on the stockbroking business, and to a lesser extent on the manufacturing and trading, and property and leisure businesses.

The stockbroking industry recently enjoyed a strong upturn whereby the KLCI increased from 586.1 points on 31st December, 1998 to 812.3 points on 31st December, 1999 and to 974.4 points on 31st March, 2000. Total volume transacted on the KLSE increased from 60.8 billion in 1998 to 90.1 billion in 1999 and total value increased from RM122.2 billion in 1998 to RM199.6 billion in 1999. The present low interest rate environment and recovery in the economy contributed to the positive market sentiment. The imminent inclusion of Malaysia in the Morgan Stanley Capital International Indices in May 2000 has also attracted the return of foreign funds into the country.

The stockbroking industry is expected to face numerous challenges that will manifest themselves this year and in the coming years. The main challenges include the consolidation of the local industry to create large one-stop financial centres, the trend towards trade liberalisation, the entry of foreign competitors and the advent of the internet age with electronic trading systems spurred by rapid technological advances. The Group's Financial Services Division under PM Capital, is poised to rapidly adapt to the changes and take advantage of the opportunities. The PM Capital group is studying the possibility of business tie-ups with established local or foreign stockbroking firms that can enhance and provide strong technical support, extensive marketing network and corporate finance capabilities.

The Group will continue to explore various avenues to increase value for the Manufacturing and Trading Division, and Property and Leisure Division. The travel business of the Property and Leisure Division will continue to benefit from greater group synergy and improvements in general economic conditions in the region.

Barring unforeseen circumstances, the Group is expected to register satisfactory results for the year ending 31st December, 2000.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to the relevant authorities for their guidance and assistance, and to our bankers, creditors, clients and shareholders for their continued support and confidence.

To our staff and management, my heartfelt thanks for their dedication, hard work and loyalty to the Group during a year of many challenging moments. Lastly, I would also like to express my appreciation and thanks to my fellow colleagues on the Board for their support.

Dato' Mohd. Ibrahim bin Mohd. Zain
Chairman

Kuala Lumpur
3rd May, 2000

Directors' Report

The Directors wish to present their report and audited accounts of the Company and of the Group for the financial year ended 31st December, 1999.

Principal Activities

The Company is an investment, property holding and management company. The principal activities of the Group consist of the following:-

- Financial Services
- Manufacturing and Trading
- Property and Leisure
- Food and Confectionery
- Investment Holding

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year under review other than the disposals of the interest in Network Foods International Ltd and Network Foods Limited which are in food and confectionery business as disclosed in Note 30 (d) to the Accounts.

Change of Name

On 8th December, 1999, the Company changed its name from Pengkalen Holdings Berhad to Pan Malaysia Holdings Berhad.

Results

	Group RM'000	Company RM'000
Operating loss	(139,158)	(28,195)
Share of results of associated companies	476	-
	(138,682)	(28,195)
Exceptional items	48,599	(58,441)
Loss before taxation	(90,083)	(86,636)
Taxation	61	-
Loss after taxation	(90,022)	(86,636)
Minority interests	28,499	-
Loss attributable to shareholders of the Company	(61,523)	(86,636)
Accumulated losses brought forward	(1,108,478)	(482,815)
Accumulated losses carried forward	(1,170,001)	(569,451)

Movements in Reserves and Provisions

Material movements in reserves and provisions during the financial year are disclosed in the notes to the accounts.

Dividends

No dividends were paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the financial year ended 31st December, 1999.

Share Capital

During the financial year, the authorised share capital of the Company was increased from RM1 billion to RM3 billion by the creation of 1 billion new ordinary shares of RM1.00 each and 1 billion new irredeemable convertible preference shares ("ICPS") of RM1.00 each.

The issued and paid-up share capital of the Company was also increased from RM198,613,678 to RM827,939,464 by way of:-

- (i) (a) rights issue of 198,613,678 new ordinary shares of RM1.00 each for cash at an issue price of RM1.00 per share on the basis of one (1) new ordinary share for every one (1) existing ordinary share held. The proceeds arising from the rights issue were utilised mainly for the subscription to the rights issue of its subsidiary company, Pan Malaysia Capital Berhad (formerly known as Pengkalen Capital Berhad) and for working capital purposes.
- (b) issue of 319,709,021 new ordinary shares of RM1.00 credited as fully paid-up in the capital of the Company for settlement with scheme creditors pursuant to the schemes of arrangement of the Company and certain of its subsidiary companies under Section 176 of the Companies Act, 1965.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

- (ii) issue of 110,922,087 new ICPS of RM1.00 each credited as fully paid-up in the capital of the Company for settlement with scheme creditors pursuant to the schemes of arrangement of the Company and certain of its subsidiary companies under Section 176 of the Companies Act, 1965.
- (iii) issue of 81,000 new ICPS of RM1.00 each at an issue price of RM1.00 per ICPS for cash for the purpose of meeting the spread requirement to enable the listing of and quotation for the ICPS on the Kuala Lumpur Stock Exchange.

Directors

The Directors who held office since the date of the last report and at the date of this report are:-

Dato' Mohd Ibrahim bin Mohd Zain (Chairman)
 Khet Kok Yin (Managing Director)
 Dato' Choong Kok Min (Executive Director)
 Dato' Abdul Aziz bin Ahmad
 Tan Sri Dato' Abu Talib bin Othman
 Christopher Martin Boyd
 Datuk Mohd Yassin bin Jaafar
 Dato' Rastam bin Abdul Hadi
 Yong Ming Sang @ Yeoh Beng Sang

None of the Directors who held office at the end of the financial year had, according to the Register of Directors' Shareholdings, any interest in the shares of the Company and its related corporations except as stated below:-

Ordinary shares of RM1.00 each in Pan Malaysia Holdings Berhad (formerly known as Pengkalen Holdings Berhad)	Number of shares			Balance at 31.12.99
	Balance at 1.1.99	Bought/ *Rights Issue	Sold	
Dato' Abdul Aziz bin Ahmad				
Indirect	10,000	–	–	10,000
Dato' Choong Kok Min				
Direct	10,595,000	25,333 *10,620,666 # 333	–	21,241,332
Indirect	333	–	# 333	–

Note: # Reclassification from 'Indirect' interest to 'Direct' interest

Ordinary shares of RM1.00 each in Pan Malaysia Capital Berhad (formerly known as Pengkalen Capital Berhad)	Number of shares		
	Balance at 1.1.99	Bought/ *Rights Issue	Sold

Dato' Choong Kok Min			
Direct	1,055,500	*2,111,000	–

Ordinary shares of RM1.00 each in Malayan United Industries Berhad	Number of shares		
	Balance at 1.1.99	Bought	Sold

Dato' Choong Kok Min			
Direct	1,407,000	–	100,000

Yong Ming Sang @ Yeoh Beng Sang			
Direct	1,981,800	–	–
Indirect	549,640	–	–

Ordinary shares of 50 sen each in MUI Properties Berhad	Number of shares		
	Balance at 1.1.99	Bought	Sold

Dato' Choong Kok Min			
Direct	5,000	–	–

Ordinary shares of 50 sen each in Pan Malaysia Corporation Berhad (formerly known as Pan Malaysia Cement Works Berhad)	Number of shares		
	Balance at 1.1.99	Bought	Sold

Datuk Mohd Yassin bin Jaafar			
Direct	200,000	–	200,000

Dato' Rastam bin Abdul Hadi			
Direct	970,000	93,000	68,000
Indirect	198,000	–	170,000

Ordinary shares of RM1.00 each in MUI Continental Insurance Berhad	Number of shares		
	Balance at 1.1.99	Bought	Sold

Tan Sri Dato' Abu Talib bin Othman			
Direct	4,340,000	–	–

The following Directors have been granted options to subscribe for the following ordinary shares of RM1.00 each in the share capital of Malayan United Industries Berhad ("MUI"), the ultimate holding company, at an exercise price of RM1.80 per share pursuant to MUI Executive Share Option Scheme which is exercisable between 5th July, 2000 and 4th July, 2001:-

	Number of shares		
	Balance at 1.1.99	Granted	Exercised

Khet Kok Yin	112,000	–	–
Dato' Rastam bin Abdul Hadi	100,000	–	–

In accordance with Section 129(2) of the Companies Act, 1965, Dato' Abdul Aziz bin Ahmad retires from the Board at the forthcoming Annual General Meeting, and the Directors recommend his re-appointment under Section 129(6) of the said Act.

In accordance with Article 110 of the Company's Articles of Association, Dato' Rastam bin Abdul Hadi and Mr. Yong Ming Sang @ Yeoh Beng Sang retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than benefits as disclosed in the accounts) by reason of a contract made by the Company or a related corporation with the 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.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for Dato' Choong Kok Min who has been purportedly granted options to subscribe for 500,000 ordinary shares of RM1.00 each at an exercise price of RM3.02 per share pursuant to the Executive Share Option Scheme of the Company. The validity of the options granted has been challenged in the Kuala Lumpur High Court Civil Suit No. D2-22-337-1996 and is still pending decision by the Court.

Share Options

Pursuant to the Company's Executive Share Option Scheme ("ESOS" or "Scheme") which was approved by the shareholders on 12th October, 1994 and revised on 29th September, 1995, options for a total of 19,553,000 ordinary shares of the Company have been purportedly granted to eligible executive employees of the Group. However, the validity of the options granted has been challenged in the Kuala Lumpur High Court Civil Suit No. D2-22-337-1996 and is still pending decision by the Court.

The details of the ESOS are contained in the Bye Laws and the salient features thereof are as follows:-

- (a) The Scheme is set up for participation in the ordinary share capital of the Company only. The total number of shares to be offered under the ESOS shall not exceed 10% of the total number of the issued and paid-up ordinary shares of the Company at any time during the duration of the Scheme.
- (b) Eligible executives are those who have been employed full-time by any company within the Group for at least three (3) years prior to the date of offer of the option under the ESOS, and includes any full-time salaried executive Director of any company within the Group.
- (c) The ESOS shall continue to be in force for a duration of five (5) years expiring on 27th October, 2000.
- (d) The Scheme shall be administered by a Committee appointed by the Board and comprise Directors of the Company who are not participating in the ESOS.
- (e) An option granted under the ESOS shall be capable of being exercised by the grantee at any time within the period of five calendar years from the date of offer of the option or such shorter period as may be specifically stated in such offer but not beyond 27th October, 2000, by notice in writing to the Company. The option granted shall be exercisable by the grantee in multiples of not less than 1,000 shares.
- (f) The persons to whom the options are granted under the Scheme shall not be entitled to participate in any other share option schemes of any other company within the Group.
- (g) The exercise price for each RM1.00 ordinary share under the Scheme shall be the average of the mean market quotation of the shares as quoted and shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five (5) preceding market days prior to the date of offer or at the par value of the shares of the Company, whichever is higher.

- (h) In the event of any alteration in the capital structure of the Company during the option period, corresponding alterations (if any subject to the provisos as stated in the Bye Laws) shall be made in:-
- the number of shares relating to the option so far as unexercised;
 - the exercise price for the option; and
 - the terms of exercise of the option.

During the financial year there has been no change in the position of the Company's unissued ordinary shares of RM1.00 each under options which have purportedly been granted as shown below:-

	Number of shares		
	Balance at 1.1.99	Granted	Balance at 31.12.99
Number of unissued ordinary shares under options which have purportedly been granted	16,465,000	-	16,465,000

To the best of the Directors' knowledge, as at 31st December, 1999, the number of unissued ordinary shares under the options which have purportedly been granted and their exercise prices per share were:-

Number of unissued ordinary shares under options	Exercise price per share RM
10,000	2.57
4,597,000	3.02
11,571,000	3.09
287,000	3.14
<u>16,465,000</u>	

As stated above, the issued and paid-up share capital of the Company was increased from RM198,613,678 to RM827,939,464 during the financial year. In the event the Court finds that the options have been validly granted, adjustments in accordance with the terms of the Bye Laws will be made in relation to the options so far as unexercised.

Other Statutory Information

- (a) In the opinion of the Directors:-
- other than the exceptional items and significant events disclosed in Note 24 and Note 30 to the Accounts respectively, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature;
 - other than the winding-up of Pengkalen Heights Sdn Bhd ("PHSB") and an estimated surplus of approximately RM8.2 million to the Group expected upon the winding-up of PHSB as disclosed in Note 31 (ii) to the Accounts, 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 Company or of the Group for the financial year in which this report is made; and
 - no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company or of the Group to meet their obligations as and when they fall due.

- (b) Before the profit and loss accounts and balance sheets of the Company and of the Group were made out, the Directors took reasonable steps:-
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (c) At the date of this report, the Directors are not aware of any circumstances:-
 - (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the accounts of the Company and of the Group inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the accounts of the Company and of the Group misleading; or
 - (iii) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.
- (d) As at the date of this report, there does not exist:-
 - (i) any charge on the assets of the Company or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Company or of the Group which has arisen since the end of the financial year.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or accounts of the Company and of the Group which would render any amount stated in the accounts and consolidated accounts misleading.

Significant Events

The significant events are disclosed in Note 30 to the Accounts.

Subsequent Events

The subsequent events are disclosed in Note 31 to the Accounts.

Auditors

The retiring auditors, Messrs. BDO Binder, have expressed their willingness to accept re-appointment as auditors and a resolution proposing their appointment will be submitted at the forthcoming Annual General Meeting.

On behalf of the Board

Dato' Mohd Ibrahim bin Mohd Zain

Khet Kok Yin

Kuala Lumpur
27th April, 2000

Balance Sheets

As at 31st December, 1999

		Group		Company	
	Note	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Fixed Assets	3	128,668	185,242	39,015	40,298
Investment Property	4	–	2,408	–	–
Subsidiary Companies	5	–	–	353,997	91,878
Associated Companies	6	5,158	1,839	–	–
Long Term Investments	7	54,391	3,849	1,859	1,889
Intangible Assets	8	–	9,044	–	845
Goodwill On Consolidation		9,161	48,283	–	–
Current Assets					
Fixed assets	9	–	21,608	–	–
Stocks and contracts					
work-in-progress	10	18,250	70,174	–	–
Development properties	11	24,727	27,367	–	–
Short term investments	12	42,993	409	4	4
Debtors	13	103,204	484,782	2,269	17,085
Term and call deposits	14	194,735	28,389	44,976	3,625
Cash and bank balances	15	15,881	17,400	715	1,018
		399,790	650,129	47,964	21,732
Current Liabilities					
Creditors	16	157,042	308,249	147,098	160,860
Amounts due to related					
companies	17	29,644	155,490	1,696	109,421
Bank borrowings	18	118,384	1,259,322	–	133,075
Taxation		37,597	40,355	717	717
		342,667	1,763,416	149,511	404,073
Net Current Assets/ (Liabilities)		57,123	(1,113,287)	(101,547)	(382,341)
		254,501	(862,622)	293,324	(247,431)
Financed By:-					
Share Capital	19	827,939	198,614	827,939	198,614
Reserves	20	(1,211,648)	(1,148,643)	(534,698)	(446,173)
		(383,709)	(950,029)	293,241	(247,559)
Minority Interests		553,263	23,040	–	–
Deferred And Long Term Liabilities	21	84,947	64,367	83	128
		254,501	(862,622)	293,324	(247,431)

The attached notes form an integral part of the accounts.

Profit and Loss Accounts

For the year ended 31st December, 1999

		Group		Company	
	Note	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Turnover	22	415,966	547,718	5,709	7,471
Cost of Sales		397,779	521,766	–	–
Operating Loss	23	(139,158)	(207,621)	(28,195)	(34,110)
Share of results of associated companies		476	–	–	–
Loss before taxation and exceptional items		(138,682)	(207,621)	(28,195)	(34,110)
Exceptional Items	24	48,599	(802,960)	(58,441)	(373,189)
Loss before taxation		(90,083)	(1,010,581)	(86,636)	(407,299)
Taxation	25	61	(5,017)	–	–
Loss after taxation		(90,022)	(1,015,598)	(86,636)	(407,299)
Minority Interests		28,499	114,991	–	–
Loss attributable to shareholders of Pan Malaysia Holdings Berhad		(61,523)	(900,607)	(86,636)	(407,299)
Accumulated losses brought forward		(1,108,478)	(207,871)	(482,815)	(75,516)
Accumulated losses carried forward	20	(1,170,001)	(1,108,478)	(569,451)	(482,815)
Loss Per Share	26	RM 0.30	RM 4.53		

The attached notes form an integral part of the accounts.

Consolidated Cash Flow Statement

For the year ended 31st December, 1999

	1999 RM'000	1998 RM'000
Cash Flows From Operating Activities		
Loss before taxation	(90,083)	(1,010,581)
Adjustments for:-		
Amortisation of intangible assets and investments	1,021	1,620
Bad debts written off	61	9,524
Depreciation of fixed assets	17,175	22,987
Dividend income	(251)	(338)
Fixed assets written off	16	999
Loss on disposal of fixed assets	85	97
Loss/(Gain) on foreign exchange	6,026	(381)
Investment written off	212	-
Goodwill written off	-	86,944
Intangible assets written off	2,284	792
Interest expenses	151,689	233,717
Interest income	(11,907)	(61,623)
Interest waived under schemes of arrangement	(170,204)	-
Interest paid under schemes of arrangement	28,501	-
(Gain)/Loss on sale of investment in subsidiary companies	(22,226)	2,334
Provision for diminution in value of:-		
- fixed assets	91	18,349
- development property	2,640	16,808
- investments	44,324	20,476
Provision for contingent liabilities	2,314	43,074
Provision for contingent expenses no longer required	(900)	-
Provision for corporate guarantees	2,268	5,323
Provision for doubtful debts	54,506	591,495
Provision for slow moving stocks	-	1,028
Share of profit of associated companies	(476)	-
Surplus on receivership/winding-up of subsidiary companies	(434)	(751)
Operating profit/(loss) before working capital	16,732	(18,107)
(Increase)/Decrease in stocks and work-in-progress	(5,764)	17,692
Decrease in debtors	36,430	651,980
Increase in related companies	20,453	90,559
Decrease in creditors	(54,336)	(117,817)
Cash generated from/(used in) operations	13,515	624,307
Interest paid	(37,213)	(233,717)
Interest income received	11,907	61,623
Tax paid	(3,764)	(6,561)
Tax refund	4,791	234
Net cash (used in)/from operating activities	(10,764)	445,886

Consolidated Cash Flow Statement (Cont'd)

For the year ended 31st December, 1999

	1999 RM'000	1998 RM'000
Cash Flows From Investing Activities		
Proceeds from sale of fixed assets	1,246	13,733
Purchase of intangible assets	(23)	(3,056)
Dividend received	251	338
Acquisition of investments (Note A)	–	–
Acquisition of fixed assets (Note B)	(2,431)	(23,004)
Acquisition of subsidiary company (Note C)	–	(7)
Withdrawal/(Placement) of term deposits pledged with banks	4,237	(533)
Bank overdrafts net of deposits, bank balances and cash disposed of on sale of subsidiary companies (Note D)	97,624	2,058
Bank overdrafts net of deposits, bank balances and cash of subsidiary companies not consolidated (Note E)	9,995	4,150
Net cash from/(used in) investing activities	110,899	(6,321)
Cash Flows From Financing Activities		
Drawdown of bank borrowings	15,848	141,322
Repayment of bank borrowings	(115,753)	(544,311)
Dividend paid to minority shareholder of a subsidiary company	(266)	–
Proceeds from issue of ordinary shares	198,614	–
Proceeds from issue of irredeemable convertible preference shares ("ICPS") of the Company	81	–
Proceeds from issue of shares of a subsidiary company	26,003	–
Net cash from/(used in) financing activities	124,527	(402,989)
Effect of Exchange Rate Changes	(11,517)	5,763
Net Increase In Cash And Cash Equivalents	213,145	42,339
Reduction of bank overdrafts via:-		
– issue of ordinary shares	59,697	–
– issue of ICPS of the Company	39,694	–
– issue of ICPS of a subsidiary company	243,664	–
– set-off against securities pledged	12,881	–
– interest waived under schemes of arrangement	16,814	–
	372,750	–
Cash And Cash Equivalents At Beginning Of The Year		
As previously reported	(404,372)	(447,120)
Effect of exchange rate changes on cash and cash equivalents	1,067	409
As restated	(403,305)	(446,711)
Cash And Cash Equivalents At End Of The Year (Note F)	182,590	(404,372)

The attached notes form an integral part of the accounts.

Notes to the Consolidated Cash Flow Statement

For the year ended 31st December, 1999

A. Investments

During the financial year, the Group acquired unquoted shares totalling RM92,200,000 (1998 : Nil) from debtors pursuant to debts settlement arrangements and no cash was paid for the acquisition.

B. Fixed Assets

During the financial year, the Group acquired fixed assets with an aggregate cost of RM9,230,956 (1998 : RM23,003,865) of which RM6,800,000 (1998 : Nil) were acquired from debtors pursuant to debts settlement arrangements and no cash was paid for the acquisition. Cash payment of RM2,430,956 (1998 : RM23,003,865) was made to acquire the other fixed assets.

C. Acquisition Of Subsidiary Company

	1999 RM'000	1998 RM'000
Net Assets acquired:-		
Current assets	-	7,159
Current liabilities	-	(6,806)
Minority interest	-	(106)
Attributable net assets acquired	-	247
Purchase consideration	-	(7)
Reserve on consolidation	-	240

D. Disposal Of Subsidiary Companies

	1999 RM'000	1998 RM'000
Net assets/(liabilities) disposed:-		
Fixed assets	62,209	1,948
Investment property	2,449	-
Long term investment	-	86
Intangible assets	4,817	-
Current assets	121,542	7,461
Deposits, cash and bank balances	4,343	24
Fixed deposits pledged with banks	134	-
Current liabilities	(54,855)	(4,809)
Bank overdrafts	(24,396)	(1,835)
Short term loans	(58,336)	-
Deferred and long term liabilities	(30,973)	(863)
Minority interest	(7,719)	(57)
Exchange reserve	(1,202)	-
Goodwill on consolidation	39,122	626
Capital reserves	61	-
	57,196	2,581
Share of net assets retained as associated company	(1,851)	-
Attributable net assets disposed	55,345	2,581
Gain/(Loss) on disposal of subsidiary companies	22,226	(2,334)
Net proceeds received	77,571	247
Add: Cash and cash equivalents of subsidiary companies	20,053	1,811
Bank overdrafts net of deposits, bank balances and cash disposed of on sale of subsidiary companies	97,624	2,058

E. Subsidiary Companies Under Receivership/Winding Up Not Consolidated

	1999 RM'000	1998 RM'000
Goodwill	–	307
Fixed assets	6,528	101
Investments	50	–
Current assets	14,943	4,193
Current liabilities	(1,740)	(1,202)
Term loans	(11,093)	–
Minority interests	873	–
Surplus on subsidiary companies not consolidated	434	751
Bank overdrafts net of deposits, bank balances and cash of subsidiary companies not consolidated	9,995	4,150

F. Cash And Cash Equivalents

The cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:-

	1999 RM'000	1998 RM'000
Term and call deposits	194,735	28,389
Cash and bank balances	15,881	17,400
Bank overdrafts	(27,776)	(445,525)
	182,840	(399,736)
Less: Deposits pledged to banks	(250)	(4,636)
	182,590	(404,372)

G. Comparative Figures

The comparative figures for the following cash flow items were restated to conform with current year's presentation so as to comply with the requirement of International Accounting Standard No.7 (Revised) –Cash Flow Statement:-

	As previously reported RM'000	As restated RM'000
Bad debts written off	–	9,524
Provision for slow moving stocks	–	1,028
Loss/(Gain) on foreign exchange	–	(381)
Exchange translation adjustments	5,790	–
Provision for diminution in value of investments	20,183	20,476
Provision for diminution in value of development property	–	16,808
Provision for contingent liabilities	–	43,074
Provision for corporate guarantees	–	5,323
Provision for doubtful debts	–	591,495
Decrease in stocks and work-in-progress	18,720	17,692
Decrease in debtors	1,252,813	651,980
Decrease in short term investments	300	–
Decrease in development properties	16,808	–
Decrease in creditors	(69,427)	(117,817)
Placement of term deposits pledged with banks	–	(533)
Drawdown of bank borrowings	21,322	141,322
Repayment of bank borrowings	(87,211)	(544,311)
Effects of exchange rate changes	–	5,763
Effects of exchange rate changes on cash and cash equivalents	–	409
Cash and cash equivalents at beginning of the financial year	(1,483,501)	(447,120)
Cash and cash equivalents at the end of the financial year	(1,103,121)	(404,372)

Notes to the Accounts

1. Principal Activities

The Company is an investment, property holding and management company. The principal activities of the Group consist of the following:-

- Financial Services
- Manufacturing and Trading
- Property and Leisure
- Food and Confectionery
- Investment Holding

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year under review other than the disposals of the interest in Network Foods International Ltd and Network Foods Limited which are in food and confectionery business as disclosed in Note 30 (d) to the Accounts.

2. Significant Accounting Policies

2.1 Basis of Accounting

The accounts of the Group and of the Company comply with applicable approved accounting standards and have been prepared under the historical cost convention and in respect of the Group, modified to include the revaluation of certain landed properties and the accounts of one subsidiary company prepared on break-up basis as its scheme creditors did not approve its proposed scheme of arrangement.

2.2 Basis of Consolidation

Other than those subsidiary companies not consolidated as mentioned in Note 5.2, the consolidated accounts include the accounts of the Company and all the other subsidiary companies made up to 31st December, 1999. The results of the subsidiary companies are included in the consolidated accounts from the date of acquisition or up to the date of disposal. Significant inter-company transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.

The difference between the purchase price and the fair value of the attributable net assets of subsidiary companies at the date of acquisition represents goodwill or reserve arising on consolidation. Goodwill on consolidation is stated at cost and is written down only when the Directors are of the opinion that there is a permanent diminution in its value.

2.3 Associated Companies

Associated companies are defined as those companies not being subsidiary companies in which the Group holds a long term equity interest and is in a position to exercise significant influence.

The Group's share of post-acquisition results and reserves of associated companies is included in the consolidated accounts.

2.4 Fixed Assets and Depreciation

Freehold land are not depreciated. Leasehold land is amortised over the period of the lease ranging from 24 to 99 years.

Other fixed assets are depreciated on a straight line method to write off the cost or valuation of the assets over their estimated useful lives. The principal annual depreciation rates are as follows:-

Buildings	2% – 2.5%
Plant and machinery and other assets	5% – 20%

2.5 Capitalisation of Interest on Bank Borrowings

The interest incurred on borrowings to finance the property under construction is capitalised until the property is ready for its intended use or the construction of the property is discontinued as it is no longer viable, after which such expense is charged to the profit and loss account.

2.6 Investment Properties

Investment properties are stated at cost or valuation based on independent professional valuation. Investment properties are revalued at regular interval not exceeding 3 years and any surplus on revaluation is credited to capital reserve. A decrease in net carrying amount arising on revaluation of investment properties is charged to the profit and loss account to the extent that it exceeds any surplus held in capital reserve relating to previous revaluation.

2.7 Intangible Assets

Deferred expenditure comprise hotel pre-opening expenses, specific advertising expenses on brand building and corporate exercise expenses. The hotel pre-operating expenses and specific advertising expenses are amortised over a period of 10 years and 6 years respectively, and corporate exercise expenses will be charged out upon completion of the corporate exercise. Purchased goodwill is stated at cost and will be written down when the Directors are of the opinion that there is a permanent diminution in its value. All the intangible assets were written off during the year.

2.8 Foreign Currency Translations

(i) Transactions in Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange prevailing on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange prevailing at that date. All gains and losses are included in the profit and loss account.

(ii) Translation of Foreign Currency Financial Statements

In the Group accounts, assets and liabilities of overseas subsidiary companies are translated into Ringgit Malaysia at exchange rates ruling at the balance sheet date. Profit and loss items are translated at average exchange rates for the financial year. All exchange differences arising are dealt with through the exchange fluctuation reserve account.

2.9 Deferred Taxation

Deferred taxation is provided under the liability method in respect of all material timing differences except where it can be demonstrated with reasonable probability that the tax deferrals will continue in the foreseeable future. Deferred tax benefits are recognised only when there are reasonable assurance of their realisation.

2.10 Investments and Income from Investments

Investments in subsidiary companies, associated companies and other long term investments are stated at cost or valuation. Such investments are only written down when the Directors are of the opinion that there is a permanent diminution in their value.

Short term investments are stated at the lower of cost and net realisable value.

Dividends from subsidiary companies are recognised when they are declared or proposed. Dividends from other investments are recognised as and when received.

2.11 Stocks and Contracts Work-in-Progress

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out or weighted average method.

Cost of raw materials and consumable stocks comprise the original cost of purchase plus the cost of bringing the stocks to their present condition and location.

The cost of work-in-progress and finished goods include the cost of raw materials, direct labour and a proportion of manufacturing overheads.

Contracts work-in-progress is stated at cost plus attributable profits, less foreseeable losses and progress claims received and receivable. Costs comprise direct labour, direct material and direct expenses incurred in connection with the contracts.

2.12 Bad and Doubtful Debts

All known bad debts are written off and specific provision is made for debts which are considered doubtful.

2.13 Leasing and Hire-Purchase Commitments

- (i) Assets under finance leases and hire-purchase contracts which in substance transfer the risks and benefits of ownership of the assets to the Group and the Company have been capitalised under fixed assets and the corresponding obligations are treated as liabilities. These assets are depreciated on the same basis as that of the Group's assets. The finance charges are allocated to the profit and loss account so as to give a constant periodic rate of charge on the remaining lease and hire-purchase liabilities.
- (ii) Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the profit and loss accounts as incurred.

2.14 Development Properties

Development properties comprise cost of land and related development expenditure including interest on borrowings used to finance the project and administrative overheads relating to the project. Development properties are written down to their estimated recoverable amount if the development of the project is no longer viable.

2.15 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, deposits, bank overdrafts and other short term, highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

3. Fixed Assets

	Freehold Land and Buildings RM'000	Long Term Leasehold Land and Buildings RM'000	Short Term Leasehold Land and Buildings RM'000	Plant and Machinery and Other Assets RM'000	Total 1999 RM'000	Total 1998 RM'000
Group						
Cost or Valuation						
At 1st January						
Cost	62,165	66,196	–	133,666	262,027	348,791
Valuation	–	15,536	–	–	15,536	15,641
	62,165	81,732	–	133,666	277,563	364,432
Exchange differences	734	(478)	–	(204)	52	(14,620)
Additions	6,803	–	–	2,323	9,126	23,004
Disposals	–	–	–	(3,000)	(3,000)	(19,260)
Written off	–	–	–	(132)	(132)	(3,800)
Provision for diminution in value	–	–	–	–	–	(532)
Subsidiaries disposed	(16,959)	(32,432)	–	(58,816)	(108,207)	(3,400)
Subsidiary under receivership/winding up	–	–	–	–	–	(295)
Transfer from/(to) current assets (Note 9)	–	1,155	3,234	45,180	49,569	(67,966)
At 31st December	52,743	49,977	3,234	119,017	224,971	277,563
Representing:-						
Cost	52,743	43,360	3,234	119,017	218,354	262,027
Valuation	–	6,617	–	–	6,617	15,536
	52,743	49,977	3,234	119,017	224,971	277,563
Accumulated Depreciation						
At 1st January	5,532	6,117	–	80,672	92,321	116,125
Exchange differences	311	(196)	–	–	115	(8,146)
Charge for the financial year	1,097	1,585	78	14,415	17,175	22,987
Disposals	–	–	–	(1,713)	(1,713)	(5,657)
Written off	–	–	–	(119)	(119)	(2,801)
Provision for diminution in value	–	–	–	–	–	(532)
Subsidiaries disposed	(2,743)	(2,820)	–	(40,435)	(45,998)	(1,452)
Subsidiary under receivership/winding up	–	–	–	–	–	(194)
Transfer from/(to) current assets (Note 9)	–	47	1,048	33,427	34,522	(28,009)
At 31st December	4,197	4,733	1,126	86,247	96,303	92,321
Net Book Value						
At 31st December, 1999	48,546	45,244	2,108	32,770	128,668	–
At 31st December, 1998	56,633	75,615	–	52,994	–	185,242

3. Fixed Assets (Cont'd)

Company	Freehold Land and Buildings RM'000	Office Equipment, Furniture and Motor Vehicles RM'000	Total 1999 RM'000	Total 1998 RM'000
Cost				
At 1st January	37,392	11,500	48,892	49,209
Additions	–	169	169	11
Disposals	–	–	–	(328)
At 31st December	37,392	11,669	49,061	48,892
Accumulated Depreciation				
At 1st January	2,506	6,088	8,594	7,207
Charge for the financial year	531	921	1,452	1,591
Disposals	–	–	–	(204)
At 31st December	3,037	7,009	10,046	8,594
Net Book Value				
At 31st December, 1999	34,355	4,660	39,015	–
At 31st December, 1998	34,886	5,412	–	40,298

As at 31st December, 1999, a landed property of the Group is carried at revalued amount based on valuation made by independent professional valuers on open market value basis in 1993. The valuation has not been updated as the Group has not adopted a policy of regular revaluation. As permitted under the transitional provisions of International Accounting Standard No. 16 (Revised)–Property, Plant and Equipment, the asset is stated at its valuation less accumulated depreciation.

As at 31st December, 1998, in addition to the above property, another landed property of the Group is carried at revalued amount based on valuation made by independent professional valuers on open market basis in 1986. This landed property belongs to a subsidiary company which has been disposed of during the financial year.

Had the said assets been carried at cost less depreciation, the carrying amount would have been:-.

	1999 RM'000	1998 RM'000
Cost	727	7,994
Less : Accumulated depreciation	30	1,278
Net book Value	697	6,716

The net book value of fixed assets pledged to financial institutions for banking facilities amounted to RM94,284,977 (1998 : RM143,526,138) for the Group and RM34,144,150 (1998 : RM34,670,119) for the Company.

The net book value of fixed assets acquired under hire-purchase and lease arrangements amounted to RM2,896,923 (1998 : RM3,725,524) and RM144,836 (1998 : RM300,273) for the Group and for the Company respectively.

4. Investment Property

	Group	
	1999 RM'000	1998 RM'000
Long term leasehold investment property, at valuation	–	2,408

In 1998, the property is carried at revalued amount based on valuation made by independent professional valuer on an open market value basis in 1996.

5. Subsidiary Companies

	1999 RM'000	1998 RM'000
5.1 Company		
Investment in subsidiary companies		
Shares quoted in Malaysia, at cost	267,067	124,265
Unquoted shares, at cost	58,434	58,734
	325,501	182,999
Less: Provision for diminution in value of unquoted shares	(52,202)	(52,202)
	273,299	130,797
Amounts due from subsidiary companies	481,080	355,445
Less: Provision for doubtful debts	(386,875)	(312,371)
	94,205	43,074
Amounts due to subsidiary companies	(13,507)	(81,993)
	353,997	91,878
Market value of quoted shares	205,537	19,161

Amounts due from/to subsidiary companies represent balances arising from advances, normal trade transactions and payments made on behalf which are unsecured and have no fixed terms of repayment. During the financial year, amounts due from subsidiary companies of RM57,059,851 (1998 : RM67,626,311) and amounts due to subsidiary companies of RM46,432 (1998 : RM1,099,597) bear interest ranging from 11% to 15% (1998 : 11% to 15%) per annum.

5.2 Group

The consolidated accounts of the Group do not deal with the following subsidiary companies:-

(i) Pengkalen (Hong Kong) Limited ("PHK") and its subsidiary companies as follows:-

- Grand Union Insurance Company Limited ("GUI")
- Grand Union General and Motor Insurance Company Limited ("GUGM")

Winding-up orders and the appointment of liquidators were made by the Hong Kong High Court against GUI and GUGM.

The cost of investment in PHK has been fully written down and the amount due from PHK has been fully provided for by the Company.

(ii) Meltis Plc

This company which is a subsidiary company of Pengkalen (UK) Plc, has been placed under receivership and the cost of investment in the company has been fully written down.

(iii) Pengkalen Electronics Industries Sdn Bhd ("PEI")

A winding-up order has been made by the Kuala Lumpur High Court against PEI. The cost of investment in PEI has been fully written down and the amount due from PEI has been fully provided for by the Company.

(iv) GCIH (Singapore) Pte Ltd and Welland Investments Pte Ltd

These companies which are subsidiary companies of Pengkalen (UK) Plc, are under winding-up and the cost of these investments have been fully written down.

(v) Heng's Food & Beverages Industries Pte Ltd

This company which is a subsidiary company of Pengkalen (UK) Plc, is under winding-up. The cost of this investment has been fully written down.

(vi) Asia Entertainment Network Sdn Bhd ("AEN")

A winding-up order has been made by the Kuala Lumpur High Court against AEN. The cost of investment in AEN has been fully written down and the amount due from AEN has been fully provided for by the Company.

Technitone (M) Sdn Bhd ("Technitone") and its subsidiary company, Office Business Systems Sdn Bhd ("OBS"), were placed under receivership during the financial year. Subsequent to the financial year end, Technitone, OBS and the subsidiary companies of OBS, namely, Office Business Systems (Penang) Sdn Bhd, Office Business Systems (Malacca) Sdn Bhd and Sensor Equipment Sdn Bhd are under voluntary winding-up. The cost of these investments have been fully written down and the amounts due from them have been fully provided for by the Company. Accordingly, the consolidated profit and loss account include the results of these companies up to the date when Technitone was placed under receivership.

The subsidiary companies consolidated are listed in Note 32.

6. Associated Companies

	Group	
	1999 RM'000	1998 RM'000
Investments in associated companies:-		
Unquoted shares, at cost	3,112	1,261
Share of post acquisition profits/(losses)	268	(208)
	3,380	1,053
Amounts due from associated companies	1,778	786
	<u>5,158</u>	<u>1,839</u>

The amounts due from associated companies represent balances arising from advances, normal trade transactions and payments on behalf which are unsecured, interest free and have no fixed terms of repayment.

	Group	
	1999 RM'000	1998 RM'000
The Group's interests in associated companies comprises:-		
Group's share of net assets	3,380	1,053

The associated companies are listed in Note 32.

7. Long Term Investments

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Unquoted shares				
– at cost	117,890	25,713	24,190	24,190
– at valuation	103,902	103,902	–	–
Less: Provision for diminution in value	(169,792)	(128,115)	(24,190)	(24,190)
	52,000	1,500	–	–
Quoted shares, at cost:-				
– In Malaysia	–	3,419	–	–
– Outside Malaysia	20,639	18,353	20,222	20,222
Less: Provision for diminution in value	(19,149)	(20,478)	(18,764)	(18,734)
	1,490	1,294	1,458	1,488
Other unquoted investments, at cost	1,034	1,071	401	401
Less: Provision for diminution in value	(121)	(7)	–	–
Accumulated amortisation	(12)	(9)	–	–
	901	1,055	401	401
	54,391	3,849	1,859	1,889
Market value of quoted shares:-				
– In Malaysia	–	443	–	–
– Outside Malaysia	4,254	851	3,798	1,488

8. Intangible Assets

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Purchased goodwill	–	1,894	–	–
Deferred expenditure	4,902	10,846	845	845
	4,902	12,740	845	845
Accumulated amortisation	(1,773)	(3,696)	–	–
	3,129	9,044	845	845
Less: Written off	(3,129)	–	(845)	–
	–	9,044	–	845

9. Fixed Assets

Group	Freehold Land and Buildings RM'000	Long Term Leasehold Land and Buildings RM'000	Short Term Leasehold Land and Buildings RM'000	Plant and Machinery and Other Assets RM'000	Total 1999 RM'000	Total 1998 RM'000
At 1st January – Estimated Net Realisable Value	5,165	1,027	2,180	13,236	21,608	-
Reclassification	-	81	6	(87)	-	-
Additions	-	-	-	105	105	-
Disposals	-	-	-	(44)	(44)	-
Written off	-	-	-	(3)	(3)	-
Transfer (to)/from fixed assets (Note 3)	-	(1,108)	(2,186)	(11,753)	(15,047)	39,957
Provision for diminution in value	(62)	-	-	(29)	(91)	(18,349)
Subsidiaries not consolidated	(5,103)	-	-	(1,425)	(6,528)	-
At 31 December – Estimated Net Realisable Value	-	-	-	-	-	21,608

Three of the subsidiary companies which accounts have been prepared on break-up basis in 1998, have restructured and/or settled their relevant banking facilities, and their accounts for the financial year are prepared on a going concern basis. Accordingly, the fixed assets of these three subsidiary companies are reclassified to fixed assets. (Note 3)

10. Stocks And Contracts W o r k - I n - P r o g r e s s

	Group	
	1999 RM'000	1998 RM'000
Stocks		
Raw materials	10,997	13,655
Work-in-progress	1,304	1,415
Finished goods	1,877	46,749
Consumables, food, beverages, etc	968	4,369
	15,146	66,188
Less: Provision for slow moving stocks	(910)	(1,028)
	14,236	65,160
Contracts work-in-progress		
Contract cost	72,836	72,836
Attributable loss	(5,705)	(4,705)
	67,131	68,131
Less: Progress claims receivable	(63,117)	(63,117)
	4,014	5,014
	18,250	70,174

11. Development Properties

	Group	
	1999 RM'000	1998 RM'000
Freehold land, at cost	14,054	14,054
Development expenditure	30,121	30,121
Less: Provision for adjustments to net realisable value	(19,448)	(16,808)
	<u>24,727</u>	<u>27,367</u>

As at 31st December, 1999, the net carrying value of the development property of a subsidiary company pledged for banking facilities is RM20,000,000. As at 31st December, 1998, the net carrying value of the development properties of subsidiary companies pledged for banking facilities is RM27,366,638.

12. Short Term Investments

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Quoted shares in Malaysia, at cost	48,778	684	10	10
Less: Provision for diminution in value	(5,785)	(325)	(6)	(6)
	<u>42,993</u>	<u>359</u>	<u>4</u>	<u>4</u>
Unquoted investment, at cost	-	69	-	-
Less: Provision for diminution in value	-	(19)	-	-
	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>
	<u>42,993</u>	<u>409</u>	<u>4</u>	<u>4</u>
Market value of quoted shares	<u>43,175</u>	<u>359</u>	<u>4</u>	<u>4</u>

13. Debtors

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Trade debtors	728,921	1,077,667	902	894
Less: Provision for doubtful debts, net of bad debts written off of RM20,780,966 (1998 : Nil) for the Group	(652,130)	(623,740)	(245)	(122)
	<u>76,791</u>	<u>453,927</u>	<u>657</u>	<u>772</u>
Other debtors, deposits and prepayments	82,141	90,029	5,223	18,347
Less: Provision for doubtful debts, net of bad debts written off of RM1,183,991 (1998 : Nil) for the Group	(55,728)	(59,174)	(3,611)	(2,034)
	<u>26,413</u>	<u>30,855</u>	<u>1,612</u>	<u>16,313</u>
	<u>103,204</u>	<u>484,782</u>	<u>2,269</u>	<u>17,085</u>

14. Term and Call Deposits

	Group		Company	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
Term and call deposits with:-				
Licensed banks	123,667	24,254	44,976	3,625
Other corporations	71,068	4,135	–	–
	<u>194,735</u>	<u>28,389</u>	<u>44,976</u>	<u>3,625</u>

Included in deposits with licensed banks are:-

- (i) deposits totalling RM2,135,432 (1998 : Nil) of subsidiary companies maintained as trust monies in accordance with the requirements of the Kuala Lumpur Stock Exchange; and
- (ii) deposits totalling RM250,000 (1998 : RM4,636,897) of subsidiary companies pledged to secure banking facilities. In 1998, deposits of RM1,154,623 of the Company were pledged to secure banking facilities.

15. Cash And Bank Balances

Group

Included in cash and bank balances of the Group are:-

- (i) an amount of RM45,964 (1998 : RM51,492) representing customers segregated funds which has been segregated and separately accounted for under Section 52A of the Futures Industry Act, 1993; and
- (ii) amounts totalling RM9,382,565 (1998 : RM5,531,207) maintained as trust monies in accordance with the requirements of the Kuala Lumpur Stock Exchange and the Securities Industry Act, 1983.

16. Creditors

	Group		Company	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
Trade creditors	48,251	101,053	61	140
Amounts due to Directors	1,517	1,597	–	–
Dealers' and remisiers' commission and deposits	32,933	41,877	–	–
Provision for contingent liabilities	23,864	43,399	83,417	–
Provision for corporate guarantees	15,391	5,323	57,891	145,649
Current portion of hire-purchase and lease creditors (Note 21)	1,445	6,754	44	56
Other creditors and accruals	33,641	108,246	5,685	15,015
	<u>157,042</u>	<u>308,249</u>	<u>147,098</u>	<u>160,860</u>

17. Amounts Due to Related Companies

Group and Company

The amounts due to related companies represent balances arising from normal trade transactions, payments made on behalf and advances.

These balances are unsecured, interest-free and have no fixed terms of repayment except for the following interest-bearing advances:-

	Group		Company	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
Outstanding advances	350	149,339	–	109,339
Interest rate per annum (%)	8	13 to 17	–	14.25 to 17

18. Bank Borrowings

	Group		Company	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
Bank overdrafts				
– secured	22,797	80,421	–	–
– unsecured	4,979	365,104	–	76,575
Short term loans				
– secured	4,187	383,206	–	5,659
– unsecured	6,388	320,179	–	50,000
Current portion of term loans (Note 21)	80,033	110,412	–	841
	118,384	1,259,322	–	133,075

The bank overdrafts and short term loans are secured by the following:-

- (i) fixed charges over certain landed properties, deposits, quoted and unquoted securities, and plant and machinery of the Group;
- (ii) floating charges over all the other assets of certain subsidiary companies; and
- (iii) corporate guarantees from the Company and certain subsidiary companies.

These bank overdrafts and short term loans bear interest at between 1% to 4% per annum (1998 : 0.75% to 5.0% per annum) above the base lending rates/cost of funds of the lending institutions, except for RM21.39 million (1998 : RM102.68 million) of these borrowings which bear fixed interest at 23.5% per annum (1998 : 13.5% to 23.5% per annum).

The terms and condition of term loans are disclosed in Note 21.

19. Share Capital

	Group and Company	
	1999	1998
	RM'000	RM'000
(a) Authorised:-		
Ordinary shares of RM1.00 each:-		
Balance at 1st January	1,000,000	1,000,000
Created during the year	1,000,000	-
Balance at 31st December	2,000,000	1,000,000
Irredeemable convertible preference shares ("ICPS") of RM1.00 each:-		
Balance at 1st January	-	-
Created during the year	1,000,000	-
Balance at 31st December	1,000,000	-
Total	3,000,000	1,000,000
(b) Issued and fully paid:-		
Ordinary Shares of RM1.00 each:		
Balance at 1st January	198,614	198,614
Issued during the year	518,322	-
Balance at 31st December	716,936	198,614
ICPS of RM1.00 each:-		
Balance at 1st January	-	-
Issued during the year	111,003	-
Balance at 31st December	111,003	-
Total	827,939	198,614

During the financial year, the authorised share capital of the Company was increased from RM1 billion to RM3 billion by the creation of 1 billion new ordinary shares of RM1.00 each and 1 billion new ICPS of RM1.00 each.

The issued and paid up share capital of the Company was also increased from RM198,613,678 to RM827,939,464 by way of:-

- (i) (a) rights issues of 198,613,678 new ordinary shares of RM1.00 each for cash at an issue price of RM1.00 per share on the basis of one (1) new ordinary share of RM1.00 each for every one (1) existing ordinary share held. The proceeds arising from the rights issue were utilised mainly for the subscription to the rights issue of its subsidiary company, Pan Malaysia Capital Berhad (formerly known as Pengkalen Capital Berhad) and for working capital purposes.
- (b) issue of 319,709,021 new ordinary shares of RM1.00 credited as fully paid-up in the capital of the Company for settlement with scheme creditors pursuant to the schemes of arrangement of the Company and certain of its subsidiary companies under Section 176 of the Companies Act, 1965.

19. Share Capital (Cont'd)

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

- (ii) issue of 110,922,087 new ICPS of RM1.00 each credited as fully paid-up in the capital of the Company for settlement with scheme creditors pursuant to the schemes of arrangement of the Company and certain of its subsidiary companies under Section 176 of the Companies Act, 1965.
- (iii) issue of 81,000 new ICPS of RM1.00 each at an issue price of RM1.00 per ICPS for cash for the purpose of meeting the spread requirement to enable the listing of and quotation for the ICPS on the Kuala Lumpur Stock Exchange.

The principal terms of the ICPS are as follows:-

- (i) the ICPS do not carry any coupon rate and do not entitle the holders to any dividends, rights, bonus, allotments and/or any other distributions that may be declared by the Company;
- (ii) there is no restriction on the mode of transfer of the ICPS;
- (iii) the ICPS are irredeemable;
- (iv) the ICPS are convertible automatically into new ordinary shares of the Company on 29th December, 2001. The conversion price will be on the basis of one (1) ordinary share at par value of RM1.00 for every RM1.00 in nominal value of ICPS held;
- (v) the holders of ICPS are not entitled to priority in repayment of capital available for distribution upon any liquidation, dissolution or winding-up of the Company. If upon any such liquidation, dissolution or winding-up, holders of ICPS shall rank pari passu with ordinary shareholders in any distribution of assets, up to the par value of the ICPS of RM1.00 each;
- (vi) the Company may create and issue further ICPS ranking in all respects pari passu with, but not in priority to the ICPS save with the requisite approval of the ICPS holders; and
- (vii) the ICPS do not carry any right to vote at any general meeting of the Company, nor the right to receive notices of meetings except for the right to receive notices of any general meetings and to attend and vote in person or by proxy or by attorney at such meetings where the business of the meeting includes the consideration of a resolution to:-
 - (a) reduce the capital of the Company;
 - (b) wind-up the Company;
 - (c) alter the Articles of Association of the Company which affects the rights of ICPS holders; or
 - (d) vary or abrogate any of the special rights or conditions attached to the ICPS.

(c) Executive Share Option Scheme ("ESOS")

Pursuant to the ESOS which was approved by the shareholders on 12th October, 1994 and revised on 29th September, 1995, options for a total of 19,553,000 ordinary shares of the Company have been purportedly granted to eligible executive employees of the Group. However, the validity of the options granted has been challenged in the Kuala Lumpur High Court Civil Suit No. D2-22-337-1996 and is still pending decision by the Court.

To the best of the Directors' knowledge, as at 31st December, 1999 the number of unissued ordinary shares under the options which have been purportedly granted and their exercise prices per share were:-

Number of unissued ordinary shares under options	Exercise price per share RM
10,000	2.57
4,597,000	3.02
11,571,000	3.09
287,000	3.14
<u>16,465,000</u>	

19. Share Capital (Cont'd)

(c) Executive Share Option Scheme ("ESOS") (Cont'd)

As stated above, the issued and paid-up share capital of the Company was increased from RM198,613,678 to RM827,939,464 during the financial year. In the event the Court finds that the options have been validly granted, adjustments in accordance with the terms of the Bye Laws of the ESOS will be made in relation to the options so far as unexercised.

20. Reserves

	Group		Company	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
(i) Non-distributable reserves				
– Exchange fluctuation reserve	(87,045)	(87,391)	–	–
– Capital reserve	10,645	10,584	–	–
– Share premium	34,753	36,642	34,753	36,642
(ii) Accumulated losses	(1,170,001)	(1,108,478)	(569,451)	(482,815)
	(1,211,648)	(1,148,643)	(534,698)	(446,173)

Movements in non-distributable reserves during the financial year were:-

	Group		Company	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
Exchange fluctuation reserve				
At 1st January	(87,391)	(75,752)	–	–
Subsidiary companies disposed	(1,202)	–	–	–
Exchange adjustment	1,548	(11,639)	–	–
At 31st December	(87,045)	(87,391)	–	–
Capital reserve				
At 1st January	10,584	10,584	–	–
Subsidiary companies disposed	61	–	–	–
At 31st December	10,645	10,584	–	–
Share premium				
At 1st January	36,642	36,642	36,642	36,642
Rights issue expenses written off	(1,889)	–	(1,889)	–
At 31st December	34,753	36,642	34,753	36,642

21. Deferred And Long Term Liabilities

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Deferred Taxation				
At 1st January	3,048	2,935	–	–
Transferred (to)/from profit and loss account (Note 25)	(182)	157	–	–
Exchange difference	(36)	(14)	–	–
Deferred taxation of subsidiary companies disposed	(1,235)	(30)	–	–
At 31st December	1,595	3,048	–	–
Long Term Liabilities				
Redeemable convertible bond	1,000	–	–	–
Term loans				
– secured	77,772	95,054	–	–
– unsecured	84,487	75,643	–	841
Hire-purchase and lease creditors	1,571	7,788	127	184
	164,830	178,485	127	1,025
Less: Portion repayable within the next 12 months				
Hire-purchase and lease creditors (Note 16)	1,445	6,754	44	56
Term loans (Note 18)	80,033	110,412	–	841
	(81,478)	(117,166)	(44)	(897)
Portion repayable after the next 12 months	83,352	61,319	83	128
Total	84,947	64,367	83	128

The term loans are secured by way of the following:-

- fixed charges over certain landed properties of the Group; and
- fixed and floating charges over all the other assets of subsidiary companies.

The term loans bear interest at rates between 8% to 11% per annum (1998 : 6.5% to 13.35% per annum).

During the financial year, a subsidiary company, Pan Malaysia Capital Berhad, issued RM1,000,000 nominal value redeemable convertible bond ("Bond") at 100% nominal value for settlement with a scheme creditor pursuant to the scheme of arrangement of a subsidiary company under Section 176 of the Companies Act, 1965. The principal terms of the Bond are as follows:-

- convertible up to 1,000,000 new ordinary shares of RM1.00 each in Pan Malaysia Capital Berhad within a five (5) years period to 29th December, 2004 or redeemable for cash at maturity date on 29th December, 2004 at the issue price; and
- no coupon rate shall be attached to and no interest shall be payable on the Bond.

22. Turnover

Group

This represents invoiced value of goods sold less returns and trade discounts, rental income, interest income, brokerage, commission, commitment fees and service charges.

Company

This represents management fees, rental and interest income.

23. Operating Loss

	Group		Company	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
Operating loss is arrived at:-				
After charging:-				
Amortisation of intangible assets and investments	1,021	1,620	–	–
Auditors' remuneration:-				
– current year provision	418	730	25	25
– under/(over) provision in prior year	3	46	(5)	–
Depreciation	17,175	22,987	1,452	1,591
Directors' remuneration:-				
– fees	24	24	–	–
– other emoluments	2,288	4,032	197	343
– brokerage commission	–	1,146	–	–
– benefits-in-kind	132	182	–	24
Fixed assets written off	16	–	–	–
Intangible assets written off	2,284	–	–	–
Interest expense:-				
– bank overdrafts	41,611	52,948	6,477	8,110
– term loans	89,411	156,222	8,303	15,286
– related companies	19,142	17,243	13,929	12,043
– subsidiary companies	–	–	344	134
– others	1,525	7,304	16	50
Lease rental	133	–	–	–
Loss on disposal of fixed assets	85	97	–	–
Provision for slow moving stocks	–	1,028	–	–
Rental of:-				
– land and buildings	808	4,362	–	–
– equipment	368	1,061	7	7
And crediting:-				
Gross dividends from quoted investments in Malaysia	251	338	–	–
Interest receivable:-				
– subsidiary companies	–	–	2,800	3,975
– others	11,907	61,623	155	180
Rental income:-				
– subsidiary companies	–	–	1,952	2,155
– related companies	192	195	192	195
– others	122	981	116	516

24. Exceptional Items

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
*Loss arising from preparation of accounts of certain subsidiary companies on a break-up basis	(2,731)	(32,662)	–	–
Bad debts recovered	431	–	–	–
Bad debts written off	(61)	(9,524)	–	–
Goodwill written off	–	(86,944)	–	–
Gain/(Loss) on sale of investments in subsidiary companies	22,226	(2,334)	30	(3,450)
(Loss)/Gain on foreign exchange	(6,026)	381	–	–
Provision for contingent liabilities	(2,314)	(43,074)	(83,417)	–
Provision for contingent expenses no longer required	900	–	–	–
Provision for diminution in value of investments	(44,324)	(20,476)	(30)	(69,315)
Provision for doubtful debts	(54,506)	(591,495)	(76,854)	(164,274)
Provision for diminution in value of fixed assets and development property	–	(11,148)	–	–
Provision for corporate guarantees	(2,268)	(5,323)	(4,768)	(136,150)
Provision for corporate guarantees no longer required	–	–	83,026	–
Surplus arising from subsidiary companies not consolidated	434	751	–	–
Investment written off	(212)	–	–	–
Interest waived under schemes of arrangement	170,204	–	40,554	–
Interest paid under schemes of arrangement	(28,501)	–	(15,092)	–
Retrenchment benefits	(261)	(1,112)	–	–
Corporate exercise expenses	(4,392)	–	(1,890)	–
	48,599	(802,960)	(58,441)	(373,189)

	Group	
	1999 RM'000	1998 RM'000
*This loss comprised the following:-		
Provision for contingent expenses	–	1,684
Provision for doubtful debts	–	2,163
Provision for diminution in value of fixed assets and development property	2,731	24,029
Fixed assets, stocks and prepaid expenses written off	–	3,994
Intangible assets written off	–	792
	2,731	32,662

25. Taxation

	Group	
	1999 RM'000	1998 RM'000
Taxation based on the results for the financial year:-		
– Current		
Malaysia	–	744
Foreign	1,633	1,880
– (Over)/Underprovision in prior year	(1,512)	2,236
	<hr/> 121	<hr/> 4,860
– Deferred taxation (Note 21)	(182)	157
	<hr/> (61)	<hr/> 5,017

No provision has been made for taxation in respect of income of the Malaysian subsidiary companies and of the Company for the financial year ended 31st December, 1999 in accordance with the waiver in the Income Tax (Amendment) Act, 1999. The taxation charge for the Group in 1999 is in respect of taxation charge of non-Malaysian subsidiary companies.

Provision for taxation made in the accounts of the Group in 1998 is in respect of taxable profits of certain subsidiary companies.

Subject to the agreement with the Inland Revenue Board, the Company's unabsorbed tax losses and unabsorbed capital allowances totalling approximately RM13.4 million (1998 : RM13.54 million) are available for set-off against future taxable income.

26. Loss Per Share

The loss per share is calculated based on consolidated loss after taxation and minority interests amounting to RM61,523,267 (1998 : RM900,606,501) and the weighted average number of ordinary shares in issue during the financial year of 207,227,041 (1998 : number of ordinary shares in issue of 198,613,678).

The fully diluted earnings per share based on the assumed conversion of ICPS issued and share options purportedly granted under the ESOS is antidilutive. The validity of the options granted has been challenged in the Kuala Lumpur High Court Suit No. D2-22-337-1996 and is still pending decision by the Court.

27. Contingent Liabilities

Group

- (a) On 13th September, 1995, Wakefield Nominees Ltd ("WNL"), which is incorporated in Hong Kong, presented a petition to the Supreme Court of Bermuda against the Company and AGA Holdings Ltd ("AGA") in which the Company allegedly has a 35% equity interest. WNL has petitioned to seek for compensation in respect of the dilution of its interest in AGA and Central Reinsurance Limited ("CRL"), a subsidiary company of AGA.

Consequent to the petition described above, Receivers and Managers have been appointed by the court to AGA and the Receivers and Managers have further petitioned and obtained an order to liquidate CRL.

The Company's solicitors are of the considered opinion that based upon available evidence, the Company has a valid and meritorious defence to resist the petition.

- (b) As at 31st December, 1999, the Group has given corporate guarantees in respect of banking, and hire-purchase and leasing facilities granted to unconsolidated and former subsidiary companies totalling RM39 million.

27. Contingent Liabilities (Cont'd)

- (c) In the ordinary course of their business, the two stockbroking subsidiary companies have taken legal actions for the recovery of amounts due from their clients and their clients' guarantors. In respect of several of these legal actions for the recovery of amounts totalling approximately RM78 million together with interests and costs, the defendants have filed counterclaims alleging breach of duties or wrongful actions by the stockbroking subsidiary companies. The amounts counterclaimed totalled approximately RM50 million together with interest, costs and damages. The subsidiary companies are defending these counterclaims. The solicitors of the subsidiary companies are of the opinion that the chances of success on the legal actions for the recovery of amounts due are good.

Company

At 31st December, 1999, the Company has guaranteed banking, hire-purchase and leasing facilities of, and supply of goods to subsidiary companies, and unconsolidated and former subsidiary companies totalling RM164 million (1998 : RM537 million). The Company has also charged its landed property for the banking facility of a subsidiary company of RM35 million. As at 31st December, 1998, the Company has charged its landed property and pledged certain of its securities for the banking facilities of certain subsidiary companies for a total amount of RM181 million of which RM153 million have been guaranteed by the Company.

28. Analyses of Group Operations

The analyses of Group operations for the financial year ended 31st December, 1999 are as follows:-

	Turnover		Profit/(Loss) Before Taxation		Total Assets	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
(a) By Industry:-						
Financial services	15,798	78,712	(68,694)	(720,328)	314,553	400,588
Manufacturing and trading	106,051	129,193	1,130	(60,838)	93,438	121,496
Property and leisure	25,392	22,914	(8,105)	(33,521)	73,671	70,541
Food and confectionery (Note)	267,634	315,974	(5,109)	(41,198)	–	247,182
Investment holding	1,091	925	(9,305)	(154,696)	115,506	60,987
	415,966	547,718	(90,083)	(1,010,581)	597,168	900,794
(b) By Geographical Region:-						
Malaysia	197,932	288,929	(97,523)	(982,136)	585,445	728,693
Asia-Pacific	218,034	258,789	3,969	(22,421)	11,127	171,377
United Kingdom	–	–	3,471	(6,024)	596	724
	415,966	547,718	(90,083)	(1,010,581)	597,168	900,794

(Note:- The disposals of the interest in Network Foods International Ltd and Network Foods Limited as disclosed in Note 30 (d) to the Accounts were completed on 30th September, 1999.)

29. Ultimate Holding Company

The ultimate holding company is Malayan United Industries Berhad, a company incorporated in Malaysia and quoted on the Main Board of the Kuala Lumpur Stock Exchange.

30. Significant Events

(a) Rights Issues and Schemes of Arrangement

On 21st December, 1999, the Company completed its rights issue of 198,613,678 new ordinary shares of RM1.00 each on the basis of one (1) new ordinary share for every one (1) existing share held at an issue price of RM1.00 per share.

On 28th December, 1999, Pan Malaysia Capital Berhad (formerly known as Pengkalen Capital Berhad) ("PM Capital") completed its rights issue of 168,724,756 new ordinary shares of RM1.00 each on the basis of two (2) new ordinary shares of RM1.00 each for every one (1) existing ordinary share held at an issue price of RM1.00 per share. The Company was issued 142,802,983 new ordinary shares in PM Capital being the Company's entitlement and excess shares applied by the Company, which resulted in the increase in the Company's equity interest in PM Capital from 52.21% to 73.83%.

On 29th December, 1999 the schemes of arrangement of the Company and certain of its Malaysian incorporated subsidiary companies, including PM Capital were implemented with the issuance of the relevant new ordinary shares and irredeemable convertible preference shares of the Company to their scheme creditors. The schemes of arrangement of the two stockbroking subsidiary companies, namely PM Securities Sdn. Bhd. (formerly known as Pengkalen Securities Sdn. Bhd.) ("PM Securities") and Pan Malaysia Equities Sdn. Bhd. (formerly known as Kimara Equities Sdn. Bhd.) ("PM Equities") were also implemented on the same day with the issuance of the relevant new irredeemable convertible preference shares and redeemable convertible bond of PM Capital to their scheme creditors. Subsequently PM Securities and PM Equities issued their relevant new ordinary shares and redeemable non-convertible preference shares, and in the case of PM Equities also its redeemable exchangeable preference shares, to PM Capital pursuant to their schemes of arrangement for the settlement of their scheme creditors by PM Capital and a subordinated loan owing by PM Equities to PM Capital.

On 31st December, 1999, PM Securities completed its rights issue of 65,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share.

On 31st December, 1999, PM Equities also completed its rights issue of 100,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share.

(b) Proposed Special Issue

The relevant authorities have approved the Company's proposed special issue of 75,270,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share to Bumiputera investors to be approved by the Ministry of International Trade and Industry. On 19th April, 2000, the Foreign Investment Committee agreed to an extension of time until 30th June, 2001 to complete the proposed special issue.

(c) Debt-Equity Conversion

The relevant authorities and shareholders of the Company have approved the issue of up to 83,417,208 new ordinary shares of RM1.00 each at par, credited as fully paid-up in the capital of the Company, to Malayan United Industries Berhad or one of its subsidiary companies in consideration of settlement of certain indebtedness of the Group. The issue of these shares is anticipated to be implemented in the financial year ending 31st December, 2000.

30. Significant Events (Cont'd)

(d) Other Corporate Developments

On 10th February, 1999, the Company completed its disposal of its 60% equity interest in Milrin Pharmaceutical Company (M) Sdn Bhd.

On 30th September, 1999 the Company completed the disposals of 79.12% of the equity interest and 78.76% of the warrant interest in Network Foods International Ltd, and 67.27% of the equity interest in Network Foods Limited via its subsidiary companies, Golden Carps Pte Ltd (a wholly-owned subsidiary of the Company), Pengkalen (UK) Plc ("PUK") (a 84.12% owned subsidiary of the Company) and GCIH Property Limited (a wholly-owned subsidiary of PUK).

The above disposals were in line with the restructuring and consolidation exercise of the Group which will allow the Group to concentrate on its core activities of stockbroking business and at the same time, to further reduce the Group's borrowings.

Technitone (M) Sdn Bhd ("Technitone"), a 64.1% owned subsidiary company of the Company, has resolved to cease its operations following the non-approval of its restructuring scheme by its scheme creditors at the court convened meeting held on 6th April, 1999. Accordingly, in consultation with its creditors, Technitone has agreed to the appointment of a receiver and manager by its debenture holder. On 9th August, 1999, a receiver and manager was appointed by the debenture holder for Technitone. On 6th September, 1999 a receiver and manager was also appointed by the debenture holder for Office Business Systems Sdn Bhd ("OBS"), a wholly-owned subsidiary company of Technitone, pursuant to a debenture executed by OBS. The restructuring scheme of OBS, was not approved by its scheme creditors at the court convened meeting held on 6th April, 1999. On 30th December, 1999, the respective Boards of Directors of Technitone, OBS and the subsidiary companies of OBS, namely Office Business Systems (Malacca) Sdn Bhd, Office Business Systems (Penang) Sdn Bhd and Sensor Equipment Sdn Bhd, resolved to wind-up the respective companies voluntarily. The respective shareholders of these companies at their respective Extraordinary General Meetings held on 28th January, 2000 also resolved to wind-up the respective companies voluntarily.

The Company and three of its subsidiary companies change their names from Pengkalen Holdings Berhad, Pengkalen Capital Berhad, Kimara Equities Sdn Bhd and Pengkalen Securities Sdn Bhd to Pan Malaysia Holdings Berhad, Pan Malaysia Capital Berhad, Pan Malaysia Equities Sdn Bhd and PM Securities Sdn Bhd on 8th December, 1999, 7th December, 1999, 10th December, 1999 and 2nd February, 2000 respectively.

31. Subsequent Events

- (i) On 24th January, 2000 PM Capital subscribed for 500,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share in Pengkalen Options & Futures Sdn Bhd.
- (ii) On 25th April, 2000, Pengkalen Heights Sdn Bhd ("PHSB") was wound-up upon the petition filed by a creditor of PHSB. The sum claimed under the petition was RM598,913 being the outstanding balance for the substructure works of PHSB's hotel and service apartments development project in Lorong Ceylon, Kuala Lumpur.

PHSB which proposed scheme of arrangement was not approved by its scheme creditors at the court convened meeting held on 7th April, 1999, has discontinued with the development of the project as it was deemed no longer viable under present circumstances.

An estimated surplus of approximately RM8.2 million to the Group is expected upon the winding-up of PHSB.

31. Subsequent Events (Cont'd)

- (iii) On 26th January, 2000 and 2nd March, 2000, PM Capital issued a total of 24,077,145 new irredeemable convertible preference shares of RM1.00 each credited as fully paid-up in the capital of PM Capital for settlement with scheme creditors of PM Equities and PM Securities pursuant to their schemes of arrangement. Pursuant to their schemes of arrangement PM Equities and PM Securities issued to PM Capital their relevant new ordinary shares and redeemable non-convertible preference shares for the settlement of their scheme creditors by PM Capital.
- (iv) On 2nd February, 2000 and 10th February, 2000, the Kuala Lumpur Stock Exchange uplifted the trading restrictions placed on PM Equities and PM Securities respectively.
- (v) On 9th February, 2000 and 9th March, 2000 the Company issued a total of 2,432,881 new irredeemable convertible preference shares of RM1.00 each credited as fully paid-up in the capital of the Company for settlement with its scheme creditors pursuant to its scheme of arrangement.

32. Subsidiary And Associated Companies

Subsidiary and Associated Companies of Pan Malaysia Holdings Berhad
(formerly known as Pengkalen Holdings Berhad)

As at 31st December, 1999

Subsidiary Company	Equity Interest		Principal Activities	Country of Incorporation
	1999	1998		
	%	%		
1. Buana Mewah Sdn Bhd	100	100	Investment holding	Malaysia
2. Fibercorp (Sarawak) Sdn Bhd (a 55% subsidiary company of Pengkalen Comtec Sdn Bhd)	30.25	30.25	Dormant	Malaysia
3. Fiberoptik (Sabah) Sdn Bhd	55	55	Dormant	Malaysia
4. Focusprint Sendirian Berhad (a 51% subsidiary company of Labels Specialist Industries Sdn Bhd)	26.14	26.14	Manufacturing of carton boxes, general packaging products & printing press	Malaysia
+ 5. Golden Carps Pte Ltd	100	100	Investment holding	Singapore
+ 6. Grandvestment Company Limited	100	100	Investment holding	Hong Kong
7. Kayangan Makmur Sdn Bhd	100	100	Investment holding	Malaysia
8. Kejora Etika Sdn Bhd	100	100	Dormant	Malaysia
9. Labels Specialist Industries Sdn Bhd	51.25	51.25	Manufacturing & sale of self-adhesive sticker labels	Malaysia
■ 10. Milrin Pharmaceutical Company (M) Sdn Bhd	–	60	Trading in pharmaceutical products	Malaysia
◇ 11. Office Business Systems Sdn Bhd	64.10	64.10	In liquidation	Malaysia
◇ 12. Office Business Systems (Malacca) Sdn Bhd (a 65% subsidiary company of Office Business Systems Sdn Bhd)	41.67	41.67	In liquidation	Malaysia
◇ 13. Office Business Systems (Penang) Sdn Bhd	64.10	64.10	In liquidation	Malaysia
14. Pengkalen Building Materials Sdn Bhd	100	100	Trading in building materials	Malaysia
15. Pan Malaysia Capital Berhad (formerly known as Pengkalen Capital Berhad)	73.83	52.21	Investment holding	Malaysia
+ 16. Pengkalen Company Limited	100	100	Dormant	United Kingdom
17. Pengkalen Comtec Sdn Bhd	55	55	Dormant	Malaysia
18. Pengkalen Concrete Sdn Bhd	100	100	Manufacturing & dealing in cement, pre-mixed concrete & builders' requisites	Malaysia

32. Subsidiary And Associated Companies (Cont'd)

Subsidiary Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
19. Pengkalen Concrete (E.M.) Sdn Bhd	100	100	Manufacturing & dealing in cement, pre-mixed concrete & builders' requisites	Malaysia
20. Pengkalen Engineering & Construction Sdn Bhd	100	100	Building & construction	Malaysia
21. Pengkalen Equities Sdn Bhd	100	100	Investment holding & dealing	Malaysia
22. Pengkalen Foodservices Sdn Bhd	100	100	Inactive	Malaysia
23. Pengkalen HB Property Services Sdn Bhd	100	100	Dormant	Malaysia
▲ 24. Pengkalen Heights Sdn Bhd	70	70	Inactive	Malaysia
25. Pengkalen Hill Resort Sdn Bhd	100	100	Dormant	Malaysia
26. Pengkalen Holiday Resort Sdn Bhd	90	90	Operating a hotel & resort	Malaysia
27. Pengkalen Pasar Borong Sdn Bhd	80	80	Inactive	Malaysia
28. Pengkalen Properties Sdn Bhd	100	100	Inactive	Malaysia
29. Pengkalen Raya Sdn Bhd	100	100	Inactive	Malaysia
30. Pengkalen-SMJ J.V. Sdn Bhd (a 70% subsidiary company of Pengkalen Concrete Sdn Bhd)	70	100	Manufacturing, supply & trading of ready-mixed concrete, construction & civil engineering works	Malaysia
31. Pengkalen Travel Sdn Bhd	80	80	Travel agent & chartered flight travel contractors	Malaysia
+ 32. Pengkalen (UK) Plc	84.12	84.12	Investment holding	United Kingdom
33. Serba Sinar Sdn Bhd	100	100	Dormant	Malaysia
◇ 34. Sensor Equipment Sdn Bhd	64.10	64.10	In liquidation	Malaysia
◇ 35. Technitone (M) Sdn Bhd	64.10	64.10	In liquidation	Malaysia
36. Twin Phoenix Sdn Bhd	100	100	Dormant	Malaysia

Associated Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
* 1. Excelpac Industries Sdn Bhd (a 25% associated company of Pengkalen Travel Sdn Bhd)	20	20	Provision for travel arrangement services	Malaysia

Subsidiary Company of Golden Carps Pte Ltd

Subsidiary Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
■ + 1. Network Foods International Ltd	-	64.77	Investment holding	Singapore

32. Subsidiary And Associated Companies (Cont'd)

Subsidiary Companies of Pan Malaysia Capital Berhad (formerly known as Pengkalen Capital Berhad)

Subsidiary Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
1. Bayan Niaga Sdn Bhd	100	100	Moneylending	Malaysia
2. KESB Nominees (Tempatan) Sdn Bhd	100	100	Nominee & custodian services	Malaysia
3. KESB Nominees (Asing) Sdn Bhd	100	100	Nominee & custodian services	Malaysia
4. Kimara Asset Management Sdn Bhd	100	100	Dormant	Malaysia
5. Pan Malaysia Equities Sdn Bhd (formerly known as Kimara Equities Sdn Bhd)	100	100	Stockbroking	Malaysia
6. PCB Asset Management Sdn Bhd	100	100	Research & fund management services	Malaysia
7. Pengkalen Options & Futures Sdn Bhd	100	100	Options & financial futures broker	Malaysia
8. PM Securities Sdn Bhd (formerly known as Pengkalen Securities Sdn Bhd)	99.99	99.99	Stockbroking	Malaysia
9. Pengkalen Nominees (Asing) Sdn Bhd	99.99	99.99	Nominee & custodian services	Malaysia
10. Pengkalen Nominees (Tempatan) Sdn Bhd	99.99	99.99	Nominee & custodian services	Malaysia

Subsidiary and Associated Companies of Pengkalen (UK) Plc

Subsidiary Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
1. Anglo Pacific Corporation (Malaysia) Sdn Bhd	64.82	64.82	Investment holding	Malaysia
2. Anglo Pacific Holdings (Malaysia) Sdn Bhd	100	100	Investment holding	Malaysia
* 3. Aqua Lanka (Private) Limited	100	100	Dormant	Sri Lanka
+ 4. Central Cocoa Pte Ltd	100	100	Dormant	Singapore
* 5. Cocoa Specialities (Malaysia) Sdn Bhd	64.82	64.82	Inactive	Malaysia
6. GCIH (Malaysia) Sdn Bhd	100	100	Inactive	Malaysia
+ 7. GCIH Property Limited	100	100	Investment holding	Hong Kong
● + 8. GCIH Trademarks Limited	100	100	Licensing of trademarks	Hong Kong
9. Giatjaya Enterprise Sdn Bhd	64.82	64.82	Inactive	Malaysia
* 10. Grand Central (Ceylon) Rubber Estates, Limited	100	100	Dormant	United Kingdom
* 11. Grand Central Limited	100	100	Dormant	Sri Lanka
* 12. Highland Tea Company of Ceylon Limited	100	100	Dormant	United Kingdom
13. Kuril Plantations Sdn Berhad	64.82	64.82	Inactive	Malaysia
+ 14. Meltis Holdings Limited	84	84	Investment holding	United Kingdom
* 15. Nagolle Holdings Limited	100	100	Dormant	United Kingdom
* 16. Nagolle (Ceylon) Rubber & Tea Plantations, Limited	100	100	Dormant	United Kingdom

32. Subsidiary And Associated Companies (Cont'd)

Subsidiary and Associated Companies of Pengkalen (UK) Plc

Subsidiary Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
■ + 17. Network Foods Limited	–	67.61	Marketing & distribution of confectionery & other food products	Australia
* 18. Network Foods International Limited	100	100	Dormant	United Kingdom
19. Tenamaju Sdn Bhd	64.82	64.82	Inactive	Malaysia
* 20. The Panawatte Tea & Rubber Estates Limited	100	100	Dormant	United Kingdom
* 21. The Yatiyantota Ceylon Rubber Company Limited	100	100	Dormant	United Kingdom
22. Upali Group Sdn Bhd	64.82	64.82	Dormant	Malaysia
+ 23. Wellon Distribution Pte Ltd	100	100	Dormant	Singapore

Associated Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
1. Desa Kuril Sdn Berhad	32.41	32.41	Dormant	Malaysia
2. Pufrut Preserving Works (Malaysia) Sdn Bhd	50	50	Inactive	Malaysia
3. Schwartau (Far East) Sdn Bhd	50	50	Inactive	Malaysia

Associated Company of Anglo Pacific Corporation (Malaysia) Sdn Bhd

Associated Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
1. Network Foods Industries Sdn Bhd	30	30	Manufacturing of chocolate & confectionery	Malaysia

Subsidiary Companies of Network Foods Limited

Subsidiary Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
* + 1. Balfour Grange Pty Ltd	100	100	Property investment	Australia
* + 2. Dinnie Rundle Pty Ltd	100	100	Importing & marketing of confectionery products	Australia
* + 3. Universal Confectionery Pty Ltd	100	100	Importing & marketing of branded confectionery products	Australia

Subsidiary Companies of Network Foods International Ltd

Subsidiary Company	Equity Interest		Principal Activities	Country of Incorporation
	1999 %	1998 %		
* 1. Danau Gelombang Sdn Bhd	100	100	Inactive	Malaysia
* + 2. Fairbridge Corporation	100	100	Investment holding	British Virgin Island

32. Subsidiary And Associated Companies (Cont'd)

Subsidiary Companies of Network Foods International Ltd

	Subsidiary Company	Equity Interest		Principal Activities	Country of Incorporation
		1999 %	1998 %		
* +	3. Le Chocolatier Boutique Pte Ltd	100	100	Dormant	Singapore
*	4. Lotus Chocolate Company Limited	52.20	52.20	Manufacturing of chocolate & confectionery	India
* +	5. Marcel's Patisserie (S) Pte Ltd	100	100	Dormant	Singapore
* +	6. Network Foods Distribution Pte Ltd	100	100	Distribution of confectionery products & biscuits	Singapore
* +	7. Network Foods (Hong Kong) Limited	100	100	Distribution of chocolates, cocoa based products, biscuits & confectionery	Hong Kong
*	8. Network Foods Industries Sdn Bhd	70	70	Manufacturing of chocolate & confectionery	Malaysia
*	9. Network Foods (Malaysia) Sdn Bhd	100	100	Distribution of confectionery & food products	Malaysia
* +	10. PT Indo Cocoa Specialities	80	80	Manufacturing of chocolate & confectionery	Indonesia
* +	11. Quintrinox Pte Ltd	100	100	Investment holding	Singapore
* +	12. Sparkton Investment Limited	100	100	Dormant	Hong Kong
* +	13. Specialist Food Retailers Pte Ltd	100	100	Inactive	Singapore
*	14. Tiffany Enterprise Sdn Bhd	100	100	Dormant	Malaysia
* +	15. Tiffany Hampers & Gifts Pte Ltd	100	100	Sale of floral arrangements & supply of gift hampers	Singapore

+ Subsidiary companies audited by member firms of BDO International.

* Subsidiary and associated companies not audited by member firms of BDO International.

▲ The accounts of the subsidiary company has been prepared on a break up basis.

■ The companies have been disposed during the year

◇ Companies under liquidation and have been deconsolidated from the accounts of the Company.

* These subsidiary companies are not consolidated due to disposal of Network Foods Limited and Network Foods International Ltd.

● GCIH Property Limited has a direct equity interest of 49%.

33. Comparative Figures

Certain comparative figures in the consolidated cash flow statement were restated as disclosed in Note G to the Consolidated Cash Flow Statement.

Statement by Directors

In the opinion of the Directors, the accounts set out on pages 13 to 45 are drawn up in accordance with applicable approved accounting standards so as to give a true and fair view of:-

- (i) the state of affairs of the Group and of the Company as at 31st December, 1999 and of their results for the financial year then ended; and
- (ii) the cash flows of the Group for the financial year ended 31st December, 1999.

On behalf of the Board

Dato' Mohd Ibrahim bin Mohd Zain

Khet Kok Yin

Kuala Lumpur
27th April, 2000

Statutory Declaration

I, Lum Seng Yip, being the officer primarily responsible for the financial management of Pan Malaysia Holdings Berhad (formerly known as Pengkalen Holdings Berhad), do solemnly and sincerely declare that the accounts set out on pages 13 to 45 are, to the best of my knowledge and belief, 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 Lum Seng Yip at Kuala Lumpur in the Federal Territory on 27th April, 2000.

Lum Seng Yip

Before me:-

Teong Kian Meng
No. W147
Commissioner for Oaths
Kuala Lumpur

Report of the Auditors

To the members of Pan Malaysia Holdings Berhad
(formerly known as Pengkalen Holdings Berhad)

We have audited the accounts set out on pages 13 to 45. The preparation of the accounts is the responsibility of the Directors. Our responsibility is to express an opinion on the accounts based on our audit.

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

In our opinion:-

- (a) the accounts have been properly drawn up in accordance with applicable approved accounting standards and the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 1999 and of their results and the cash flows of the Group for the financial year then ended; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and the 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 accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors as disclosed in Note 32 to the accounts, being accounts that have been included in the consolidated accounts.

We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's accounts are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

BDO Binder
AF : 0206
Public Accountants

Tan Kim Leong, JP
235/6/01(J/PH)
Partner

Kuala Lumpur
27th April, 2000

Analysis of Shareholders

As at 28th April, 2000

- Classes of Shares : (a) Ordinary share of RM1.00 each
 (b) Irredeemable convertible preference share of RM1.00 each ("ICPS")
- Voting Rights : (a) Ordinary share
 1 vote per ordinary share
 (b) ICPS
 The ICPS does not carry any right to vote at any general meeting of the Company, nor the right to receive notices of meetings except for the right to receive notices of any general meeting and to attend and vote in person or by proxy or by attorney at such meeting where the business of the meeting includes the consideration of a resolution to:
- reduce the capital of the Company;
 - wind-up the Company;
 - alter the Articles of Association of the Company which affects the rights of ICPS holders; or
 - vary or abrogate any of the special rights or conditions attached to the ICPS.

Ordinary share

Distribution of Shareholders

Range	No. of Shareholders	%	No. of Shares	%
Less than 500 shares	5,741	32.85	101,304	0.01
500 – 5,000 shares	8,787	50.28	21,121,962	2.95
5,001 – 10,000 shares	1,646	9.42	14,272,333	1.99
10,001 – 100,000 shares	1,221	6.99	32,420,202	4.52
100,001 – 1,000,000 shares	66	0.38	12,330,266	1.72
Above 1,000,000 shares	14	0.08	636,690,310	88.81
Total	17,475	100.00	716,936,377	100.00

Twenty (20) Largest Shareholders

Name of Shareholders	No. of Shares held	%
1. Loyal Design Sdn Bhd	347,354,740	48.45
2. Megawise Sdn Bhd	82,749,507	11.54
3. MUI Capital Sdn Bhd	62,699,810	8.75
4. Merchant Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Perwira Affin Merchant Bank Berhad	23,500,000	3.28
5. Arab-Malaysian Credit Berhad	22,845,416	3.19
6. Citibank Berhad	21,062,948	2.94
7. Southern Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chong Yuet Hwa @ Choong Kok Min	20,311,332	2.83
8. UB Nominees (Tempatan) Sdn Bhd - Bank Utama (Malaysia) Bhd	16,036,760	2.24
9. Malayan Banking Berhad	13,011,422	1.81
10. Multi-Purpose Bank Berhad	11,491,421	1.60
11. Bank Kerjasama Rakyat Malaysia Berhad	5,904,034	0.82
12. Multi-Purpose Credit Sdn Bhd	5,900,758	0.82
13. Mayban Securities Nominees (Tempatan) Sdn Bhd - Aseam Credit Sdn Bhd for Pan Malaysia Holdings Berhad	2,204,812	0.31
14. Aseam Malaysia Nominees (Tempatan) Sdn Bhd - Aseambankers Malaysia Berhad (A/c Three)	1,618,350	0.23
15. Chong Yuet Hwa @ Choong Kok Min	710,000	0.10
16. Rimpai Bakti Sdn Bhd	629,704	0.09
17. Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Choon Tong	470,000	0.07
18. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund ZV3M for IFC Emerging Markets Fund - Malaysia	454,200	0.06
19. Wong Weng	300,000	0.04
20. Hoo Leong @ Ho Mook Leong	300,000	0.04
Total	639,555,214	89.21

Substantial Shareholders

as per Register of Substantial Shareholders

	No. of Shares held (Direct/Deemed Interest)	%
Pan Malaysian Industries Berhad	493,550,867	68.84
Tan Sri Dato' Dr Khoo Kay Peng	493,550,867	68.84
Malayan United Industries Berhad	492,918,130	68.75
Loyal Design Sdn Bhd	347,354,740	48.45
Megawise Sdn Bhd	82,749,507	11.54

As at 28th April, 2000

Substantial Shareholders (Cont'd)
as per Register of Substantial Shareholders

	No. of Shares held (Direct/Deemed Interest)	%
Pan Malaysia Corporation Berhad	82,749,507	11.54
MUI Capital Sdn Bhd	62,699,810	8.75
Arab-Malaysian Credit Berhad	22,845,416	3.19
Dato' Choong Kok Min	21,241,332	2.96
Citibank Berhad	21,062,948	2.94

as Bare Trustees pursuant to Section 69P of the Companies Act, 1965

	No. of Shares held	%
Merchant Nominees (Tempatan) Sendirian Berhad	23,500,000	3.28
Citicorp Nominees (Tempatan) Sdn Bhd	21,560,951	3.01
Southern Nominees (Tempatan) Sdn Bhd	20,312,999	2.83
UB Nominees (Tempatan) Sdn Bhd	16,036,760	2.24

ICPS

Distribution of Shareholders

Range	No. of Shareholders	%	No. of Shares	%
Less than 500 shares	-	-	-	-
500 – 5,000 shares	87	53.38	107,000	0.09
5,001 – 10,000 shares	-	-	-	-
10,001 – 100,000 shares	47	28.83	1,540,816	1.36
100,001 – 1,000,000 shares	17	10.43	5,017,684	4.42
Above 1,000,000 shares	12	7.36	106,770,468	94.13
Total	163	100.00	113,435,968	100.00

Twenty (20) Largest Shareholders

Name of Shareholders	No. of Shares held	%
1. Malayan Banking Berhad	51,390,003	45.30
2. CIMSEC Nominees (Tempatan) Sdn Bhd - Danaharta Urus Sdn Bhd	10,151,078	8.95
3. Aseam Malaysia Nominees (Tempatan) Sdn Bhd - Aseambankers Malaysia Berhad (A/c Three)	10,067,874	8.88
4. Amsec Nominees (Tempatan) Sdn Bhd - Arab-Malaysian Bank Berhad	7,153,028	6.30
5. CIMSEC Nominees (Tempatan) Sdn Bhd - Danaharta Managers Sdn Bhd	5,956,118	5.25
6. PAB Nominee (Tempatan) Sdn Bhd - Perwira Affin Bank Berhad (Corpbanking)	4,994,215	4.40
7. UB Nominees (Tempatan) Sdn Bhd - Bank Utama (Malaysia) Bhd	4,889,372	4.31
8. Oriental Bank Berhad	3,323,002	2.93
9. Newest Sdn Bhd (In members voluntary liquidation)	2,990,000	2.64
10. BOC Nominees (Tempatan) Sdn Bhd - For Bumiputra-Commerce Bank Berhad	2,324,247	2.05
11. Alliedban Nominees (Tempatan) Sdn Bhd - PhileoAllied Bank (M) Bhd Fund C	1,868,875	1.65
12. Bumiputra-Commerce Bank Berhad	1,662,656	1.46
13. Peh Teck Quee	751,769	0.66
14. Electrolux Commercial Products Sdn Bhd	749,322	0.66
15. RHB Capital Nominees (Tempatan) Sdn Bhd - RHB Bank Berhad (Account 1)	474,688	0.42
16. Tenaga Setiavesta Sdn Bhd	473,233	0.42
17. Pengkalen Nominees (Asing) Sdn Bhd - PM Holdings for Dixieland International Limited (PHR-SOA)	427,500	0.38
18. Desa Lestari Sdn Bhd	364,072	0.32
19. Gibsion Air Conditioning & Trading Sdn Bhd	284,867	0.25
20. Chua Boon Tuck	218,674	0.19
Total	110,514,593	97.42

Properties Owned by the Group

As at 31st December, 1999

Location	Description	Usage	Tenure Expiry Year	Approximate Area Sq. Metres	Approximate Age of the Building No. of Years	Net Book Value RM'000
MALAYSIA						
Federal Territory of Kuala Lumpur						
Menara Pengkalen, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur	1 lot of freehold land with a 15-storey office building	Office building for Corporate Head Office and rental	Freehold	2,456	14	34,144
No. 78, Jalan Kilang Midah, Taman Midah, 56000 Kuala Lumpur	1 lot of freehold land with a single-storey factory building	Factory and office	Freehold	965	22	206
Lot 13, PT35, Section 92A , Jalan Lima, Off Jalan Chan Sow Lin, 51200 Kuala Lumpur	1 lot of leasehold light industrial land with double-storey office building and single-storey workshop	Batching plant and site office	Leasehold 2017	3,440	3	976
Lot No. 50, Seksyen 57, Lorong Ceylon 50200 Kuala Lumpur	1 lot freehold land with construction work comprising 4 basement floors and main concrete frames, up to 6th floor, of an uncompleted 26-storey hotel and service apartments building	Vacant	Freehold	2,502	–	20,000
KL Court Penthouse Rooftop K.L. Plaza Jalan Bukit Bintang, 55100 Kuala Lumpur	1 unit of freehold apartment	Vacant	Freehold	1,051	13	6,665
State of Selangor Darul Ehsan						
605 Block A, No. 92, Jalan 5/60, 46000 Petaling Jaya, Selangor Darul Ehsan	1 unit of freehold condominium	Vacant	Freehold	144	8	210
Lot 17517, Taman Selayang Industrial Area, Batu Caves, 68100 Selangor Darul Ehsan	1 lot of freehold land with factory building and double-storey office building	Factory and office	Freehold	3,298	16	3,313
Lot 17511, Taman Selayang Industrial Area, Batu Caves, 68100 Selangor Darul Ehsan	1 lot of freehold land with a double-storey office building, a single-storey factory premises, a single- storey warehouse and 3-storey factory premises	Factory and store	Freehold	4,558	16	3,883

Location	Description	Usage	Tenure Expiry Year	Approximate Area Sq. Metres	Approximate Age of the Building No. of Years	Net Book Value RM'000
Lot 17097, Jalan 10, Taman Selayang Baru, Batu Caves, 68100 Selangor Darul Ehsan	1 lot of freehold land with double-storey terrace house	Staff quarters	Freehold	143	15	140
Lot 21, Jalan Perusahaan 2, Kawasan Perindustrian Beranang, Semenyih, Selangor Darul Ehsan	1 lot of leasehold land with a single-storey detached industrial factory	Factory and office	Leasehold 2089	16,187	8	2,572
No. 1, Lorong SS13/6B, Subang Jaya Industrial Park, Subang Jaya, 47500 Petaling Jaya	1 lot of freehold land with a 1 ½ storey detached factory	Vacant	Freehold	1,050	19	1,138
Lot No. 4666, Mukim of Kapar, District of Klang, Selangor Darul Ehsan	1 lot of freehold agricultural land held for future development	Vacant	Freehold	5,815	–	93
No. 15, Jalan Ragum 15/17, Section 15, Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan	1 lot of industrial land with a single-storey detached factory and an annexed 3-storey office building	Vacant	Leasehold 2086	8,145	10	4,266
State of Negeri Sembilan Darul Khusus						
Unit A8-10, 8th Floor, Tanjung Tuan Beach Resort, 5th Mile, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus	1 unit of leasehold condominium	Vacant	Leasehold 2081	117	15	208
Lots 286, 288 & 289, 3 ½ km, Jalan Pantai, Port Dickson, Negeri Sembilan Darul Khusus	3 lot of leasehold land with a 10-storey resort hotel	Hotel	Leasehold 2087	15,278	4	37,294
State of Johor Darul Takzim						
PTB 13338, Jalan Petaling, Larkin Industrial, 80350 Johor Darul Takzim	1 lot of leasehold industrial land held for future development	Vacant	Leasehold 2046	7,613	–	1,126
State of Pahang Darul Makmur						
HS10468 PT11291, Bentong, Pahang Darul Makmur	1 lot of freehold bungalow land held for future development	Vacant	Freehold	1,115	–	180

Location	Description	Usage	Tenure Expiry Year	Approximate Area Sq. Metres	Approximate Age of the Building No. of Years	Net Book Value RM'000
Lot 301, Di Simpang, Jalan Beserah & Jalan Telok Sisek, Kuantan	1 lot of freehold land held for future development	Vacant	Freehold	10,825	–	4,727
State of Sarawak						
Lot 8, Kidurong Industrial Area, Tanjung Kidurong, Bintulu, Sarawak	1 lot of leasehold land with cement warehouse, single- storey workshop and single-storey office premises	Batching plant and site office	Leasehold 2057	12,140	3	1,098
UNITEDKINGDOM						
Flat 53, 5th Floor, Park Mansion, 141-149, Knightsbridge, London	1 unit of leasehold apartment	Vacant	Leasehold 2052	111	6	1,068

Form of Proxy

No. of Ordinary Shares Held

I/We _____ NRIC No. _____
of _____ Tel. No. _____
being a member of PAN MALAYSIA HOLDINGS BERHAD (formerly known as
Pengkalen Holdings Berhad) hereby appoint *THE CHAIRMAN OF THE MEETING
or _____ NRIC No. _____
of _____ Occupation _____
or failing him/her, _____ NRIC No. _____
of _____ Occupation _____

as my/our proxy to vote for me/us and on my/our behalf at the Seventeenth Annual General Meeting of
the Company to be held at Ming Crystal Ballroom, MingCourt Vista Hotel Kuala Lumpur, Jalan Ampang,
50450 Kuala Lumpur on Thursday, 22nd June, 2000 at 10.00 a.m. and at any adjournment thereof.
My/Our Proxy is to vote as indicated below:-

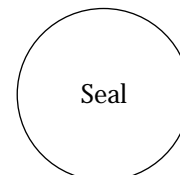
Resolutions	For	Against
1. Adoption of reports and accounts.		
2. Re-appointment of Dato' Abdul Aziz bin Ahmad as a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965.		
Re-election of Directors in accordance with Article 110 of the Company's Articles of Association:-		
3. Dato' Rastam bin Abdul Hadi		
4. Mr Yong Ming Sang @ Yeoh Beng Sang		
5. Re-appointment of Messrs BDO Binder as auditors and authorising the Directors to fix their remuneration.		

* If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of
the person(s) desired.

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. If you do
not do so, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.

Signed this _____ day of _____ 2000.

Signature



Notes:-

1. A member entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Such proxy, if not a member of the Company, must be a qualified legal practitioner, an approved company auditor, a person approved by the Registrar of Companies in a particular case or a person approved by the Directors. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. The instrument appointing a proxy must be deposited at the Registered Office, Suite 5.1, 5th Floor, Menara Pengkalen, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
3. Where the Proxy Form is executed by a corporation, it must either be under its Common Seal or under the hand of an Attorney duly authorised.

Stamp

The Company Secretary
Pan Malaysia Holdings Berhad
(formerly known as Pengkalen Holdings Berhad)
Suite 5.1, 5th Floor
Menara Pengkalen
No. 2, Jalan Changkat Ceylon
50200 Kuala Lumpur
Malaysia