

Pan Malaysia Holdings Berhad

Company No:95469-W

LAPORAN TAHUNAN
2002
ANNUAL REPORT

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 26 June 2003 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the audited financial statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2002.
2. To approve Directors' fees of RM36,000.00.
3. To consider and, if thought fit, pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-
 - (i) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Abdul Aziz bin Ahmad be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
 - (ii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Rastam bin Abdul Hadi be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
 - (iii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Yong Ming Sang be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
4. To re-elect Dato' Choong Kok Min as a Director of the Company.
5. To re-appoint Messrs BDO Binder as auditors of the Company and to authorise the Directors to fix their remuneration.
6. 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
4 June 2003

Notes:-

1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but if he is not a member, he must be a qualified legal practitioner, approved company auditor, a person approved by the Registrar of Companies in the particular case or a person approved by the Directors prior to the appointment.
2. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint one proxy only in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member, other than an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The Form of Proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of the attorney.
4. The Form of Proxy must be deposited at the registered office of the Company at 14th Floor, MUI Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are seeking re-appointment pursuant to Section 129(6) of the Companies Act, 1965 are:-

- (i) Dato' Abdul Aziz bin Ahmad
- (ii) Dato' Rastam bin Abdul Hadi
- (iii) Yong Ming Sang

The Director who is standing for re-election pursuant to Article 111 of the Company's Articles of Association is Dato' Choong Kok Min.

2. Details of Attendance of Directors at Board Meetings.

There were four (4) Board Meetings held during the financial year ended 31 December 2002. Details of attendance of the Directors are set out in the Profile of Directors appearing on pages 6 and 7 of the Annual Report.

3. The Twentieth Annual General Meeting of the Company will be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 26 June 2003 at 9.00 a.m..

CORPORATE INFORMATION

Board of Directors

Dato' Mohd Ibrahim bin Mohd Zain, D.S.P.N., D.I.M.P., *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.

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

Yong Ming Sang

Dato' Seri Dr Ting Chew Peh, D.P.M.P., D.P.M.S., S.P.M.P.

Secretary

Chik Wai Ming

Registered Office

14th Floor, MUI Plaza

Jalan P. Ramlee

50250 Kuala Lumpur

Tel No: 03-21482566 Fax No: 03-21445209

Principal Place of Business

14th Floor, MUI Plaza

Jalan P. Ramlee

50250 Kuala Lumpur

Tel No: 03-20316722 Fax No: 03-20311299

Registrar

Pan Malaysia Management Sdn Bhd

6th Floor, MUI Plaza

Jalan P. Ramlee

50250 Kuala Lumpur

Tel No: 03-21487696 Fax No: 03-21442118

Auditors

BDO Binder *Chartered Accountants*

Principal Bankers

Alliance Bank Malaysia Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

Southern Bank Berhad

United Overseas Bank (Malaysia) Bhd

Stock Exchange Listing

The Main Board of the Kuala Lumpur Stock Exchange

PROFILE OF DIRECTORS

Dato' Mohd Ibrahim bin Mohd Zain

Age 59. Malaysian. Independent Non-Executive Director and Chairman. Appointed as Director on 28 May 1998. Chairman of Audit Committee. Graduated from British Institute of Management and Institute of Marketing in United Kingdom. Holds a Masters in Business Administration from the University of Ohio. Upon graduation in 1965, was attached with University Technology MARA (formerly known as Institute Technology MARA) where later he was appointed a Director, a position which he holds to date. Formerly, he was Chairman of the International Executive Service Corps Steering Committee, Malaysia and Chapter Chairman of Young Presidents' Organisation. He was also founding Board Member of the Penang Regional Development Authority ("PERDA") and had served as a Board Member of the Tourist Development Corporation Malaysia. Was also formerly, Chief Executive of Amanah International Finance Berhad, Amanah Chase Merchant Bank Berhad and Oriental Bank Berhad, Chairman and Chief Executive Officer of Setron (Malaysia) Berhad, Chairman of Bank Kerjasama Rakyat (M) Berhad, Bescorp Industries Berhad and Pan Malaysian Industries Berhad. Currently, he is also Chairman of Pan Malaysia Capital Berhad and Chemical Company of Malaysia Berhad, Deputy Chairman of Metrojaya Berhad and a Director of K & N Kenanga Holdings Berhad and Pan Malaysian Industries Berhad. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Khet Kok Yin

Age 56. Malaysian. Managing Director. Appointed as Director on 28 May 1998. Member of Audit Committee. Holds a Bachelor of Economics (Hons) from University of Malaya. Currently, also a Managing Director of Pan Malaysian Industries Berhad and Pan Malaysia Capital Berhad. He also sits on the Boards of Malayan United Industries Berhad, MUI Properties Berhad, MUI Continental Insurance Berhad and Chemical Company of Malaysia Berhad. Had served as President of North American operations of The MUI Group in the United States of America and Managing Director of Morning Star Securities Ltd, Hong Kong. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Dato' Choong Kok Min

Age 61. Malaysian. Executive Director. Appointed as Director on 8 January 1991. Graduated in Law from the University of London and Barrister-at-Law from Gray's Inn. Was formerly a Chairman of Alliance Finance Berhad, Director cum Legal Adviser and Company Secretary of Oriental Bank Berhad, Director of Setron (Malaysia) Berhad and partner of Messrs Ariffin & Ooi and Messrs Allen & Gledhill. Currently, also sits on the Board of Alliance Finance Berhad and is the Chairman of its Audit Committee and also sits on the Board of Pan Malaysia Capital Berhad. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Dato' Abdul Aziz bin Ahmad

Age 75. Malaysian. Independent Non-Executive Director. Appointed as Director on 27 March 1990. Formerly a Government servant and had served in Polis DiRaja Malaysia. His last posting before retirement in May 1985 was in the Prime Minister's Department. He also sits on the Board of Pan Malaysia Capital Berhad. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Dato' Rastam bin Abdul Hadi

Age 72. Malaysian. Non-Independent Non-Executive Director. Appointed as Director on 15 August 1996. Member of Remuneration Committee and Chairman of Nomination Committee. Holds a Bachelor of Science (Hons) in Mathematics from the University of Malaya, Singapore. Formerly, a State Financial Officer, Pahang and later Under-Secretary, Treasury of Ministry of Finance, Deputy Secretary General of Ministry of Defence and Deputy Governor of Bank Negara, Malaysia. Was also formerly, Executive Director and later as Managing Director and finally as Senior-Vice President of Petroleum Nasional Berhad ("Petronas"). Currently, the Group Adviser to The MUI Group. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Yong Ming Sang

Age 72. Malaysian. Independent Non-Executive Director. Appointed as Director on 15 August 1996. Member of Nomination Committee and Remuneration Committee. He is a Fellow of the Royal Institution of Chartered Surveyors (United Kingdom) and of the Institution of Surveyors (Malaysia). Prior to joining the corporate sector in 1978, practised as a Chartered Quantity Surveying Consultant in a quantity-surveying firm of Messrs Yong Dan Mohamad Faiz of which he was the founder member. His corporate sector experience ranges from financial services, manufacturing, hotel, property development, airline industry to tourism. Also serves as a Director of Malayan United Industries Berhad, MUI Properties Berhad and Star Publications (Malaysia) Berhad. He is also the Chairman of Star Publications (Malaysia) Berhad. He had previously served as a Director of Malaysian Airline System Berhad, the national airline and of two statutory bodies, namely, Tourist Development Corporation Malaysia and Keretapi Tanah Melayu. Currently, he is a member of the Board of Trustees of the National Art Gallery. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended three (3) Board Meetings held during the financial year.

Dato' Seri Dr Ting Chew Peh

Age 59. Malaysian. Independent Non-Executive Director. Appointed as Director on 15 November 2001. Member of Nomination Committee and Chairman of Remuneration Committee. Holds a Bachelor of Arts from University of Malaya, Master of Science from University of London and Doctorate in Philosophy from University of Warwick. Formerly served as Minister of Housing and Local Government and was an Associate Professor in Sociology, University Kebangsaan Malaya. Currently, a Member of Parliament for Gopeng, Perak and the Chairman of Klang Port Authority. He also sits on the Boards of Puncak Niaga Holdings Berhad, Pan Malaysia Capital Berhad, Hua Yang Berhad and Malaysian South South Corporation Bhd. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed to the principles of corporate governance in the Malaysian Code of Corporate Governance (the “Code”).

The Board of Directors will continuously evaluate the status of the Group’s corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code wherever applicable in the best interests of the shareholders of the Company. The Board considers that it has generally applied the Principles and Best Practices of the Code.

Set out below is the description on the manner in which the Company has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

1. Directors

1.1 The Board

An effective Board leads and controls the Group. The Board is responsible for the overall performance of the Company and focuses mainly on strategies, performance, standards of conduct and critical business issues.

The Board meets at least four (4) times a year, with additional meetings convened as necessary. The Chairman is responsible for setting the agenda for Board meetings. Any Board member may, however, recommend the inclusion of items on the agenda. Such recommendations will be accommodated to the extent practicable. The agenda reaches the Board at least two (2) to three (3) weeks prior to Board meetings. Board meetings are typically scheduled a year in advance.

Four (4) Directors’ meetings were held during the financial year ended 31 December 2002. Details of the attendance of the Directors are disclosed on pages 6 and 7 of the Annual Report.

1.2 Board Balance

The Board currently consist of seven (7) Directors:-

- One (1) Independent Non-Executive Chairman
- One (1) Managing Director
- One (1) Executive Director
- One (1) Non-Independent Non-Executive Director
- Three (3) Independent Non-Executive Directors

There is a clear division of responsibility between the Chairman and Managing Director to ensure there is a balance of power and authority. All major matters and issues are referred to the Board for consideration and approval. The roles and contributions of independent Directors also provide an element of objectivity, independent judgement and check and balance on the Board.

Together, the Directors bring a wide range of business and financial experience for effective direction and management of the Group's businesses. A brief description of the background of each Director is presented on pages 6 and 7 of the Annual Report.

The Board complies with the Listing Requirements of Kuala Lumpur Stock Exchange that requires at least two (2) or one-third (1/3) of the Board, whichever is higher, to be independent Directors.

Mr Yong Ming Sang has been identified as the senior independent non-executive Director to whom concerns regarding the Company may be conveyed.

The Board has established Board committees, which operate within defined terms of reference. These committees are:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report of the Audit Committee for the financial year ended 31 December 2002 is set out on pages 18 and 19 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out on pages 10 and 11 respectively.

1.3 Supply of Information

The Board has unrestricted access to timely and accurate information necessary in the furtherance of their duties, which is not only quantitative but also any other information deemed suitable.

Board papers are distributed to Board members at least seven (7) days prior to the meeting. Important matters that are reasonably expected to have a material effect on the price, value or market activity of the Company's shares may be discussed at the meeting without materials being distributed prior to the meeting.

In addition to Group performances that are discussed at the meeting, there is a schedule of matters reserved specifically for the Board's decision.

All Directors have access to the advice and service of the Company Secretary and where necessary, in the furtherance of their duties, obtain independent professional advice at the Group's expense.

1.4 Appointments to the Board

The members of the Nomination Committee are as follows:-

Chairman	Dato' Rastam bin Abdul Hadi	- Non-Independent Non-Executive Director
Members	Yong Ming Sang	- Independent Non-Executive Director
	Dato' Seri Dr Ting Chew Peh	- Independent Non-Executive Director

The duties and functions of the Nomination Committee are:-

- identifying and recommending new nominees for the Board and Board Committees
- annually assesses the effectiveness of the Board as a whole, the Board Committees and contribution of each Director on an on-going basis
- annually reviews the mix of skills, experience and other qualities, including core competencies of non-executive Directors
- annually reviews the Board structure, size and composition

The decision as to who shall be nominated shall be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

The Directors have direct access to the services of the Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Listing Requirements of Kuala Lumpur Stock Exchange and other regulatory requirements.

1.5 Directors' Training

All Directors are required to attend the training programmes that are prescribed by the Kuala Lumpur Stock Exchange from time to time. All Directors have attended the Mandatory Accreditation Programme during the calendar year 2001.

There is a familiarisation programme in place for new Board members, which include visits to the Group's businesses, and meetings with senior management as appropriate, to facilitate their understanding of the Group.

1.6 Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting following their appointment. The Articles of Association of the Company also provide that all Directors shall retire from office once at least in every three (3) years but shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

2. Directors' Remuneration

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to govern the Group effectively. In the case of executive Directors, their remuneration are structured to link rewards to corporate and individual performance. In the case of non-executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken by them.

The members of the Remuneration Committee are as follows:-

Chairman	Dato' Seri Dr Ting Chew Peh	- Independent Non-Executive Director
Members	Yong Ming Sang	- Independent Non-Executive Director
	Dato' Rastam bin Abdul Hadi	- Non-Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of executive Directors in all forms, drawing from outside advice as necessary. Nevertheless, the determination of remuneration packages of executive Directors is a matter for the Board as a whole and individual executive Directors are required to abstain from discussion of their own remuneration.

The Remuneration Committee shall also recommend to the Board the remuneration of non-executive Directors. The determination of the remuneration of the non-executive Directors is a matter for the Board as a whole.

For the financial year ended 31 December 2002, the aggregate of remuneration of the Directors received from the Company and its subsidiaries categorised into appropriate components were as follows:-

	Salaries RM	Fees RM	Benefits- in-kind RM	Other RM	Total RM
Executive Directors	148,500	48,000	23,298	27,500	247,298
Non-Executive Directors	-	121,500	10,200	266,000	397,700

The number of Directors of the Company whose remuneration during the year falls within the respective bands were as follows:-

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 to RM100,000	1	2
RM100,001 to RM150,000	1	-
RM150,001 to RM200,000	-	1

3. Relationship with Shareholders and Investors

In addition to various announcements made during the year, the timely release of quarterly financial results provides shareholders with a regular overview of the Group's performance and operations.

Shareholders and members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing the Kuala Lumpur Stock Exchange's website.

Notice of the Annual General Meeting and the Annual Report are sent to all shareholders. At Annual General Meetings, shareholders have direct access to the Directors and are given the opportunity to ask questions during the question and answer session.

4. Accountability and Audit

4.1 Financial Reporting

In presenting the annual and quarterly reports, the Directors aim to present a balanced and comprehensive assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 76 of the Annual Report and the Statement explaining the Directors' responsibility for preparing the annual audited financial statements pursuant to paragraph 15.27(a) of the Listing Requirements of Kuala Lumpur Stock Exchange is set out on page 13 of the Annual Report.

4.2 Internal Control

The Directors acknowledge their responsibilities for the internal control system in the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Group's assets.

4.3 Relationship with the Auditors

The Company's external auditors, Messrs BDO Binder has continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements.

The role of the Audit Committee in relation to the external auditors is set out in the Report of the Audit Committee on pages 18 and 19 of the Annual Report.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

The Directors ensure that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements.

The Directors also ensure that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

STATEMENT ON INTERNAL CONTROL

The Board of Directors ("Board") is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The system includes financial, operational and compliance controls and risk management. The system is designed to identify and manage risks in the pursuit of the Group's business objectives as well as to safeguard shareholders' investments and the Group's assets. The system serves to provide reasonable but not absolute assurance against the risk of material loss. The concept of reasonable assurance recognises that the cost of control procedures is not to exceed the expected benefits.

During the year under review, the Group embarked on implementing an enterprise-wide risk management (ERM) framework and process. With the assistance of the Group's Internal Audit department, risk management training and facilitation sessions were conducted for staff of operating companies. Through the ERM process, significant risks and relevant management actions were documented and presented to the Audit Committee.

Within the ERM framework, operating companies have Risk Committees whose members represent key areas in operations. These committees are guided by documented terms of reference and meetings are held regularly to deliberate on risk and control issues. Risks and control measures are documented and compiled to represent the risk profile of the operating company. Key risks of operating companies are consolidated to form the risk profile of the Group. Risks and control measures are periodically communicated to the relevant personnel within the Group and to the Audit Committee. Risk profiles are reviewed and updated on a periodic basis.

Hence, in accordance with the *Statement on Internal Control: Guidance for Directors of PLCs* the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and this process has operated during the year under review and up to the date of approval of the annual report.

The salient features of the Group's internal control system include:

- a management structure with clearly defined lines of responsibility and authority limits
- written company values, code of conduct, policies and procedures
- monthly reporting of actual results which are reviewed against budget, with major variances being followed up and management action taken, where necessary
- an internal audit function that provides independent assurance on the effectiveness of the Group's system of internal control and advice on areas which require further improvement

The Board, with the assistance of the internal audit team and external professional consultants (whenever deemed necessary), continuously reviews the adequacy and integrity of the Group's system of internal control and management information systems, and compliance with laws, regulations, rules, directives and guidelines. Internal audit reports are tabled at Audit Committee meetings which are held at least once in every quarter. Control deficiencies and issues highlighted are addressed or rectified by management. There were no control deficiencies noted during the year under review which has a material impact on the Group's financial performance or operations.

The Group's system of internal control mainly applies to its operating companies and does not cover associated companies, inactive companies and dormant companies.

The Board is of the view that the monitoring arrangements in place provide reasonable assurance that the structure of controls and operations is adequate and appropriate to the Company's and Group's situation.

This statement was made in accordance with a resolution of the Board.

OTHER INFORMATION

1. Utilisation of Proceeds of Company's Rights Issue

The Company has utilised fully the proceeds of the Company's rights issue of RM198.61 million. The said RM198.61 million were utilised to subscribe for shares in Pan Malaysia Capital Berhad ("PM Capital") under PM Capital's rights issue, to acquire irredeemable convertible preference shares in PM Capital, as settlement of debts owing to unsecured creditors excluded from the schemes of arrangement of the Company and certain of its subsidiary companies, as working capital and to defray expenses incurred pursuant to the Company's rights issue, schemes of arrangement and rationalisation exercises.

2. Sanctions and/or Penalties Imposed

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

3. Non-Audit Fees

For the financial year ended 31 December 2002, non-audit fees paid to the external auditors amounted to RM103,651.

4. Material Contracts

There were no material contracts including contracts relating to a loan entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2002 or entered into since the end of the previous financial year except as disclosed in the financial statements.

5. Revaluation Policy

The Group does not have a revaluation policy on landed properties (see also Note 6 to the financial statements).

6. Recurrent Related Party Transactions Of A Revenue Or Trading Nature

The aggregate value of recurrent related party transactions of revenue or trading nature conducted during the financial year ended 31 December 2002 by Pan Malaysia Holdings Berhad ("PMH") and its unlisted subsidiaries and associated companies in accordance with the shareholders' mandate were as follows:-

Company within the PMH Group involved	Related Party	Nature of Transaction	RM
Pan Malaysia Travel & Tours Sdn Bhd ("PMTT") (Note)	(i) Malayan United Industries Berhad ("MUIB") and its unlisted subsidiaries and associated companies. MUIB is the ultimate holding company of PMH (ii) MUI Properties Berhad ("MUIP"), a subsidiary of MUIB (iii) Pan Malaysia Corporation Berhad ("PMC") and its subsidiaries. PMC is a subsidiary of MUIB	Sale of air tickets and provision of travel and ancillary services	6,349,046

Company within the PMH Group involved	Related Party	Nature of Transaction	RM
	(iv) PMH and its unlisted subsidiaries (v) PM Securities Sdn Bhd ("PMS"), a subsidiary of Pan Malaysia Capital Berhad, which in turn is a subsidiary of PMH		
PMTT	(i) Metrojaya Berhad ("MJ") and its subsidiaries. MJ is a subsidiary of Pan Malaysian Industries Berhad ("PMI"). PMI is a major shareholder of MUIB	Sale of air tickets and provision of travel and ancillary services	323,580
Pengkalen Holiday Resort Sdn Bhd ("PHR"), a wholly-owned subsidiary of PMH	(i) Ming Court Hotel (KL) Sdn Bhd ("MCHKL"), a wholly-owned subsidiary of MUIB (ii) West Synergy Sdn Bhd, a subsidiary of MUIP	Provision of hotel facilities at Corus Paradise resort, 3 1/2 KM, Jalan Pantai, 71000 Port Dickson	8,723
PHR	PMTT	Purchase of hotel rooms and food for tour groups conducted by PMTT at Corus Paradise resort, Port Dickson	338,679
GCIH Trademarks Limited ("GTL")	Network Foods Industries Sdn Bhd, a subsidiary of PMC	Receipt of royalty from trademarks on chocolate products owned by GTL, a subsidiary of PMH	483,215
PMH	PMTT	Rental of office premises at Menara Pengkalen, No. 2 Jalan Changkat Ceylon, 50250 Kuala Lumpur which is owned by PMH and provision of ancillary services, such as office maintenance services	132,828
PMH	PMS	Provision of secretarial, accounting and other support services	340,000

Company within the PMH Group involved	Related Party	Nature of Transaction	RM
(i) PMH (ii) Pengkalen Equities Sdn Bhd, a wholly-owned subsidiary of PMH	PMS	Stockbroking commission/ brokerage paid for purchases and sales of equity investments, and fees paid for corporate advisory services	39,885
(i) PMH (ii) PHR	MUI Continental Insurance Berhad, a subsidiary of MUIB	Purchase of general insurance policies	284,057
(i) PMH (ii) PMTT (iii) PHR	MCHKL	Purchase of hotel rooms and food for tour groups conducted by PMTT, as well as usage of hotel facilities at Corus hotel Kuala Lumpur	599,076
PHR	Network Foods (Malaysia) Sdn Bhd, a subsidiary of PMC	Purchase of chocolate and confectionery products, and other consumer items	1,138
PMH	MUI Plaza Sdn Bhd, a wholly-owned subsidiary of MUIP	Rental of office space and car parking space at MUI Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur and procurement of ancillary services	134,866
PHR	MUI Plaza Sdn Bhd	Rental of office space and car parking space at MUI Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur and procurement of ancillary services	126,289
PMH	Pan Malaysia Management Sdn Bhd, a wholly-owned subsidiary of PMC	Procurement of share registration and related services	34,101
(i) PMH (ii) PHR (iii) PMTT	Malayan United Management Sdn Bhd, a wholly-owned subsidiary of MUIB	Procurement of audit and other support services	19,258
PHR	MUI dotCom Sdn Bhd, a wholly-owned subsidiary of MUIB	Procurement of computer related services	1,200

(Note:- PMTT is 80%-owned by PMH whilst the remaining 20% is held by Mr Kan Kok Leong @ Kan Kok Hoong, Madam Khor Poh Ian and Wisefox Consolidated Sdn Bhd ("Wisefox"). Both Mr Kan Kok Leong @ Kan Kok Hoong and Madam Khor Poh Ian are also Directors of PMTT. Mr Kan Kok Leong @ Kan Kok Hoong is also a Director of Wisefox and as at 5 May 2003, holds 20,000 shares representing 9.5% equity interest in Wisefox. Both Mr Kan Kok Leong @ Kan Kok Hoong and Madam Khor Poh Ian do not hold any shares in PMH).

REPORT OF THE AUDIT COMMITTEE

MEMBERS

Name	Designation
Dato' Mohd Ibrahim bin Mohd Zain - <i>Chairman</i>	Independent Non-Executive Director
Dato' Seri Dr Ting Chew Peh (<i>Appointed on 11 July 2002</i>)	Independent Non-Executive Director
Khet Kok Yin	Managing Director

TERMS OF REFERENCE

1. Constitution

The Audit Committee was established on 28 July 1994. The Board shall ensure that the composition of the Audit Committee comply with the Listing Requirements of Kuala Lumpur Stock Exchange as well as other regulatory requirements.

2. Authority

- The Audit 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 Audit Committee.
- The Audit Committee shall have unlimited access to all information and documents relevant to its activities as well as to the internal and external auditors and senior management of the Group.
- The Audit 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.

3. Functions

The functions of the Audit Committee shall be:-

- to report to the Board of Directors after reviewing the following:-
 - (a) the audit plan with the external auditors;
 - (b) the evaluation of the system of internal controls with the external auditors;
 - (c) the audit report with the external auditors;
 - (d) the assistance and co-operation given by the employees of the Company to the external auditors;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the internal audit programme, processes, the results of the internal audits, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) significant adjustments arising from the audit;
 - (iv) the going concern assumption; and
 - (v) compliance with accounting standards and other legal requirements;
 - (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) any letter of resignation from the external auditors;
 - (j) whether there is any reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- to recommend the nomination of a person or persons as external auditors;
- to consider the external auditors' fee and questions of dismissal;
- to discuss problems and reservations arising out of external or internal audits and any matters which the auditors may wish to bring up (in the absence of management or the Executive Directors of the Group where necessary);
- to review the external auditors' management letter and management's response; and
- to consider the major findings of internal investigations and management's response together with such other functions as may be agreed to by the Audit Committee and Board of Directors.

4. Meetings

During the financial year ended 31 December 2002, five (5) Audit Committee Meetings were held. Dato' Mohd Ibrahim bin Mohd Zain attended four (4) meetings, whilst Mr Khet Kok Yin attended all the five (5) meetings. Dato' Seri Dr Ting Chew Peh attended all the two (2) meetings held during his appointment as Audit Committee member.

At each of these Audit Committee Meetings, the Vice-President of Finance & Administration and Head of Internal Audit were in attendance. The respective head of companies/departments and their management team attend when audit reports on their companies/departments are tabled for discussion. The presence of the external auditors will be requested when required.

Upon the request of the external auditors, the Chairman shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.

5. Summary of Activities of the Audit Committee During the Financial Year Ended 31 December 2002

The Audit Committee reviewed and deliberated six (6) audit reports on assignments conducted by the Internal Audit. The Audit Committee also appraised the adequacy and effectiveness of management's response in resolving the audit issues reported.

In addition, the unaudited quarterly financial statements and the audited financial statements of the Company and the Group were reviewed by the Audit Committee together with the Vice-President of Finance & Administration, prior to recommending the same for approval by the Board, upon being satisfied that the financial reporting and disclosure requirements of the relevant authorities had been complied with.

The Audit Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed audit issues and concerns affecting the financial statements of the Company and its subsidiaries, and discussed applicable accounting standards that may have significant implication on the Group's financial statements.

The Audit Committee reviewed and approved the Internal Audit Plan for the calendar year 2003. In its review of the Internal Audit Plan, the Audit Committee reviewed the scope and coverage over the activities of the respective business units of the Group. The Audit Committee also reviewed related party transactions carried out by the Group.

6. Internal Audit Function

The internal audit function is centralised at the Group Internal Audit Department of Malayan United Industries Berhad and is independent of the activities audited. The function is performed with impartiality, proficiency and due professional care. The Internal Audit reports to the Audit Committee, and regularly reviews and appraises the Group's key operations. Its activities include:-

- implementing a risk management process to identify risk exposures in key business processes and appropriate controls
- appraising the adequacy and integrity of internal controls and management information systems
- ascertaining the effectiveness of management in identifying principal risks and to manage such risks through appropriate systems of internal control
- ascertaining the level of compliance with the Group's plans, policies, procedures and adherence to laws and regulations
- appraising the effectiveness of administrative controls applied and the reliability and integrity of data that are produced within the Group
- ascertaining the adequacy of controls for safeguarding the Group's assets from losses of all kinds, and
- conducting special reviews or investigations requested by management or by the Audit Committee

The Internal Audit carries out audit assignments based on an audit plan that is reviewed and approved by the Audit Committee. The reports of the audits undertaken were presented to the Audit Committee and forwarded to the management concerned for attention and necessary action.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present herewith the Annual Report and financial statements of our Company and the Group for the financial year ended 31 December 2002.

ECONOMIC REVIEW

The Malaysian economy expanded at a stronger rate in 2002 than that of 2001 by achieving real Gross Domestic Product growth of 4.2%. The economic growth was driven by encouraging external demand as well as sustained domestic demand which in turn was due to strong consumer spending, continued recovery in investment activity and the expansion in public sector expenditure. Reflecting a broad based growth, all sectors of the economy reported positive growth in output in 2002. Led by the export-oriented industries, the manufacturing sector reported a growth of 4.1% in 2002 compared to a contraction of 6.2% in 2001. The services sector expanded by 4.5% in 2002 due to stronger domestic demand and continued expansion in trade and tourism related activities. Supported by higher consumer spending and a significant increase in tourist arrivals, the wholesale and retail trade, hotels and restaurants subsector reported a 2.5% growth in output.

The external position of Malaysia remained strong in 2002 with the trade account maintained at a sizeable surplus of RM51.0 billion. The net international reserves of Bank Negara Malaysia increased by RM2.4 billion to RM131.4 billion as at end 2002 compared with the end September 2002 level.

The Kuala Lumpur Composite Index ("KLCI") commenced the year 2002 on a promising note with encouraging developments in corporate mergers and restructuring as well as improving prospect for the domestic economy. The KLCI reached an intraday year high of 816.94 on 23 April 2002, a 17.36% appreciation from the end of 2001. For the remaining months of the year, the KLCI was adversely affected by the poor performance of the US equity market attributable to fraudulent accounting scandals, weaker economic data and tensions in the Middle East. Investor sentiment was further dampened by the Bali bombing on 12 October 2002. Subsequently the KLCI closed at 646.32 on 31 December 2002, 7.15% lower than a year ago.

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Due to the buoyant activities for the first 5 months in 2002, the Kuala Lumpur Stock Exchange ("KLSE") achieved a higher activity level in terms of volume and value in 2002 than those of the previous year. Total volume and value transacted on the KLSE in 2002 were 55,630 million units and RM116.95 billion respectively compared to 49,663 million units and RM85.01 billion respectively in 2001.

In accordance with the Malaysian Capital Market Masterplan, stockbroking commission rates for all trades are negotiable subject to a cap of 0.70% with effect from 1 July 2002. After considering a proposal from the Association of Stockbroking Companies in Malaysia, the Securities Commission ("SC") decided to raise the minimum handling charge per contract for all securities other than loan instruments from RM5 to RM12.

The KLSE entered into a new milestone in 2002 when the Minister of Finance gave his approval for the KLSE to proceed with the demutualisation of the exchange. The listing of the demutualised exchange is targeted by the end of 2003 and the demutualisation is expected to further increase its efficiency, accountability and transparency.

In March 2003, Deputy Prime Minister Dato' Seri Abdullah Haji Ahmad Badawi announced 10 measures intended to enhance the Malaysian Capital Market specifically in areas of investor participation, liquidity, efficiency of capital raising process, value of Government linked companies and intermediation. The specific measures to enhance investor participation include capping of stamp duty for all securities trading on the KLSE to RM200 per contract and standardisation of board lot sizes of securities traded on the KLSE to 100 units. The new standard board lots will make securities more affordable to a larger sector of the investing public as well as enhancing the shareholding spread of securities. All the measures announced are expected to benefit investors, stock broking companies and listed as well as to-be-listed companies in the medium to long term.

FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATION

For the financial year ended 31 December 2002, the Group reported consolidated revenue and pre-tax loss of RM56.14 million and RM18.24 million respectively compared to consolidated revenue and pre-tax loss of RM75.64 million and RM49.40 million respectively in 2001. The decline in consolidated revenue was due to the divestment and voluntary winding-up of several subsidiaries during the preceding year. After adjustment for these subsidiaries, the consolidated revenue of the Group for 2002 would be RM8.5 million higher than that of 2001. The reduction in consolidated pre-tax loss for the period under review was mainly due to lower provision for diminution in value of investments.

Pan Malaysia Capital Berhad, ("PM Capital"), a 73.9% subsidiary of the Company, represents the financial services division which comprises mainly stockbroking operations, corporate advisory services, asset management and trading in derivatives products. PM Capital recorded a pre-tax loss of RM9.82 million on the back of RM16.74 million revenue for the year under review compared to pre-tax loss and revenue of RM42.79 million and RM7.45 million respectively in 2001. The increase in revenue was mainly due to the higher trading value and activities on the KLSE and the opening of additional branches and Electronic Access Facility ("EAF") as well as the commencement of corporate advisory activities by PM Securities Sdn Bhd ("PM Securities"). The improvement in pre-tax loss was mainly due to the absence of provision for diminution in value of unquoted shares and impairment losses of property, plant and equipment, lower provision for diminution in value of marketable securities and to a lesser extent the increased business activities.

As at 31 December 2002, PM Securities is one of the 6 Universal Brokers in Malaysia. In addition to its main office in Kuala Lumpur, PM Securities has six branch offices located in Seremban, Puchong, Penang, Johor Bahru, Melaka and Klang. PM Securities also set up an EAF in Kuala Klawang, Jelevu, Negeri Sembilan during the year under review. Subsequently, PM Securities set up its second and third EAF in Batu Pahat, Johor and in Segamat, Johor on 20 February 2003 and 18 April 2003 respectively.

In order to enable its clients to take full advantage of the convenience offered by information technology, PM Securities launched its website www.pmlink2u.com in 2002. In addition to offering online trading facility, the website also provides in-house research as well as relevant and accurate market and corporate information on a timely manner.

For the first nine months in 2002, Pan Malaysia Travel & Tours Sdn Bhd ("PM Travel"), a 80% owned subsidiary of the Company, performed satisfactorily. However, the performance of PM Travel in the fourth quarter 2002 was adversely affected by cancellations subsequent to the Bali bombing incident in October 2002. Despite a very difficult operating environment in the fourth quarter, PM Travel managed to maintain its revenue at RM31.32 million in 2002 and remained profitable. During the year under review, PM Travel relocated its office to MUI Plaza which offers a better strategic location and convenience for its clients.

Pengkalen Holiday Resort Sdn Bhd which owns and operates the 201 room Paradise Corus resort in Port Dickson performed satisfactorily with improved average room rates and sustained gross operating profit. The encouraging performance was due to the combination of the Government's efforts in promoting tourism in the country as well as more aggressive marketing strategies of Corus.

CORPORATE DEVELOPMENTS

The KLSE, via a letter dated 26 October 2002, approved the Company's application for extension of time up to 31 December 2004 to regularise the Group's financial condition. In the meantime, the Company will continue to be classified under the PN4 Condition sector until its financial condition no longer triggers the criteria specified in Practice Note No. 4 issued by the KLSE. Barring any unforeseen circumstances, the financial condition of the Group will be regularised by December 2004 upon the conversion of the irredeemable convertible preference shares of

PM Capital and the exchange of the redeemable exchangeable preference shares of Pan Malaysia Equities Sdn Bhd into new ordinary shares of PM Capital.

OUTLOOK FOR 2003

The concerns over global economic outlook, the outbreak of the atypical pneumonia virus which causes Severe Acute Respiratory Syndrome ("SARS") and the US-Iraq war aftermath may have a dampening effect over the domestic economic growth in 2003. Nonetheless, the gradual recovery in the global electronics industry, firm commodity prices and stronger intra-regional trade together with sustained domestic demand are expected to drive the real Malaysian Gross Domestic Product growth in 2003.

Investor sentiment on the KLSE for the first half of 2003 will be affected by the continued tensions in the Middle East, the effects of SARS and the uncertain global economic environment. However, bargain hunting activities by local institutions including ValueCap Sdn Bhd are expected to cushion the KLCI against any short term drastic negative sentiment. Against this backdrop, the KLCI is envisaged to remain range bound in the first half of 2003 but is expected to resume an uptrend in the second half when investors shift their focus to the improving domestic economic fundamentals and the capital market enhancement measures announced by the Deputy Prime Minister in March 2003.

With the expectation of slower business activities in the first half of 2003, PM Securities will take this opportunity to further strengthen its supporting functions and to explore and implement expansion programmes as a Universal Broker. PM Securities will also focus on enhancing its corporate advisory activities to earn more fee based income. With a strengthened foundation, PM Securities is confident to reap the benefits when the business activities begin to pick up in the second half of 2003. Barring any unforeseen circumstances, the financial services division of the Group is cautiously optimistic to report an improved performance in 2003.

In view of the global economic uncertainties, effects of SARS and continued tensions in the Middle East, the trading environment for the hotel and travel business is envisaged to be very challenging. However, the hotel and travel division will draw on the global hotel and travel networking of The MUI Group to secure the competitive edge in business.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to our shareholders and bankers for their continuing support and confidence in the Management and the Board. To the staff and management, I would like to thank them for their dedication and hardwork. I would also like to express my appreciation to the various regulatory authorities and my fellow colleagues on the Board for their support and counsel.

Dato' Mohd Ibrahim bin Mohd Zain
Chairman

Kuala Lumpur
28 April, 2003

Directors' Report

The Directors wish to present their report and audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

Principal Activities

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

- Stockbroking
- Hotel
- Travel
- Licensing of trademarks
- Property and 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.

Results

	Group RM'000	Company RM'000
Loss after taxation	18,622	180,962
Minority interests	7	-
Net loss for the financial year	<u>18,629</u>	<u>180,962</u>

Movements In Reserves And Provisions

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

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 31 December 2002.

Issue Of Shares And Debentures

The Company has not issued any new shares or debentures during the financial year.

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

Dato' Rastam bin Abdul Hadi

Yong Ming Sang

Dato' Seri Dr Ting Chew Peh

Datuk Mohd Yassin bin Jaafar (Allahyarham) (Passed away on 12.6.2002)

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	Number of shares		
	Balance as at 1.1.2002	Bought	Sold
Dato' Abdul Aziz bin Ahmad			
Indirect	10,000	–	–
Dato' Choong Kok Min			
Direct	21,241,332	412,000	20,311,332
Indirect	–	20,311,332	–

Ordinary shares of RM1.00 each in Pan Malaysia Capital Berhad	Number of shares		
	Balance as at 1.1.2002	Bought	Sold
Dato' Choong Kok Min			
Direct	3,196,500	–	3,166,500
Indirect	–	3,166,500	–

Ordinary shares of RM1.00 each in Malayan United Industries Berhad	Number of shares		
	Balance as at 1.1.2002	Bought	Sold
Dato' Choong Kok Min			
Direct	1,150,000	–	–
Yong Ming Sang			
Direct	1,981,800	–	–
Indirect	549,640	–	–
Dato' Seri Dr Ting Chew Peh			
Indirect	10,000	–	–

Ordinary shares of RM0.50 each in MUI Properties Berhad	Number of shares		
	Balance as at 1.1.2002	Bought	Sold
Dato' Choong Kok Min			
Direct	5,000	–	–

Ordinary shares of RM0.50 each in Pan Malaysia Corporation Berhad	Number of shares		
	Balance as at 1.1.2002	Bought	Sold
Dato' Rastam bin Abdul Hadi			
Direct	1,016,000	–	1,011,000
Indirect	113,000	*1,141,000	50,000

*20,000 ordinary shares of RM0.50 each in Pan Malaysia Corporation Berhad were acquired on 20 September 2001.

In accordance with Section 129(2) of the Companies Act, 1965, Dato' Abdul Aziz bin Ahmad, Dato' Rastam bin Abdul Hadi and Mr Yong Ming Sang retire from the Board at the forthcoming Annual General Meeting, and the Directors recommend their re-appointment under Section 129(6) of the said Act.

In accordance with Article 111 of the Company's Articles of Association, Dato' Choong Kok Min retires from the Board at the forthcoming Annual General Meeting, and he being eligible, offers himself 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 financial statements) 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 other than remuneration received by certain Directors as directors of related companies.

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. The case has now been fixed for further case management on 2 July 2003.

Share Options

Pursuant to the Company's Executive Share Option Scheme ("ESOS" or "Scheme") which was approved by the shareholders on 12 October 1994 and revised on 29 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. The case has now been fixed for further case management on 2 July 2003.

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 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 was in force for a duration of five (5) years and expired on 27 October 2000.
- (d) The Scheme shall be administered by a Committee appointed by the Board and comprised 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 (5) 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 27 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 period from the expiry of the Scheme on 27 October 2000 to the end of 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 on expiry of the Scheme on 27.10.2000	Granted	Balance as at 31.12.2002
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, on expiry of the Scheme on 27 October 2000, 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
16,465,000	

In the event the Court finds that the options have been validly granted, the paid-up share capital of the Company will be increased accordingly.

Other Statutory Information

- (a) In the opinion of the Directors:-
- the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 7.1 to the financial statements;

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

Significant Events

The significant events are disclosed in Note 44 to the financial statements.

Subsequent Events

The subsequent events are disclosed in Note 45 to the financial statements.

Ultimate Holding Company

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

Auditors

The auditors, 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

Khet Kok Yin

Director

Dato' Choong Kok Min

Director

Kuala Lumpur

25 April 2003

Balance Sheets

As at 31 December 2002

		Group		Company	
	Note	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Property, Plant And Equipment	6	90,270	90,839	33,627	34,179
Investment In Subsidiary Companies	7	–	–	114,918	287,655
Investment In Associated Companies	8	–	–	–	–
Long Term Investments	9	21,213	21,124	1,565	1,471
Goodwill On Consolidation	10	8,368	8,368	–	–
Intangible Assets	11	144,037	144,037	–	–
Current Assets					
Inventories	12	823	914	–	–
Development property	13	4,727	4,727	–	–
Short term investments	14	8,898	10,197	2	2
Receivables	15	40,068	41,215	1,923	2,522
Amounts owing by subsidiary companies	16	–	–	94,510	90,801
Amounts owing by associated companies	17	–	407	–	48
Term and call deposits	18	73,787	103,193	21,922	34,464
Cash and bank balances	19	8,165	10,169	241	97
		136,468	170,822	118,598	127,934
Current Liabilities					
Payables	20	46,246	46,798	430	1,007
Provision	21	5,184	5,184	5,184	45,184
Amounts owing to subsidiary companies	16	–	–	2	2
Amount owing to an associated company	17	3	–	–	–
Amounts owing to related companies	22	2,189	2,521	778	861
Borrowings	23	4,710	54,195	900	909
Tax liabilities		1,550	1,938	717	717
		59,882	110,636	8,011	48,680
Net Current Assets		76,586	60,186	110,587	79,254
		340,474	324,554	260,697	402,559
Financed By:-					
Share Capital	26	924,824	924,824	924,824	924,824
Reserves	27	(1,208,574)	(1,213,474)	(730,227)	(549,265)
		(283,750)	(288,650)	194,597	375,559
Minority Interests		480,420	515,204	–	–
Deferred And Long Term Liabilities					
Provision	21	–	–	40,000	–
Amount owing to a related company	22	66,000	70,000	–	–
Borrowings	23	76,804	27,000	26,100	27,000
Redeemable convertible bond	28	1,000	1,000	–	–
Deferred tax liabilities	29	–	–	–	–
		340,474	324,554	260,697	402,559

The attached notes form an integral part of the financial statements.

Income Statements

For the financial year ended 31 December 2002

		Group		Company	
	Note	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	30				
– Continuing Operations		56,139	47,639	1,468	2,477
– Discontinued Operations	31	–	27,998	–	–
		56,139	75,637	1,468	2,477
Cost Of Sales		(37,250)	(58,641)	–	–
Gross Profit		18,889	16,996	1,468	2,477
Other Operating Income		8,933	21,812	3,659	4,836
Distribution Costs		(729)	(80)	–	–
Administration Expenses		(18,069)	(27,633)	(3,590)	(3,833)
Other Operating Expenses		(16,597)	(51,464)	(180,288)	(31,232)
Gain On Disposal Of Investment In Subsidiary Companies		–	2,654	–	18,513
Surplus/(Deficit) Arising From Subsidiary Companies Not Consolidated		1,220	(831)	–	–
(Loss)/Profit From Operations					
– Continuing Operations		(6,353)	(39,199)	(178,751)	(9,239)
– Discontinued Operations	31	–	653	–	–
		(6,353)	(38,546)	(178,751)	(9,239)
Finance Costs		(11,889)	(10,855)	(2,211)	(1,809)
Loss Before Taxation	32	(18,242)	(49,401)	(180,962)	(11,048)
Taxation	33	(380)	(790)	–	–
Loss After Taxation		(18,622)	(50,191)	(180,962)	(11,048)
Minority Interests		(7)	(758)	–	–
Net Loss For The Financial Year		(18,629)	(50,949)	(180,962)	(11,048)
		Sen	Sen		
Basic Loss Per Share	34	2.01	6.36		

The attached notes form an integral part of the financial statements.

Statement Of Changes In Equity

For the financial year ended 31 December 2002

Group	Ordinary	Irredeemable Convertible Preference Shares ("ICPS")	Share Premium	Capital Reserve	Exchange Fluctuation Reserve	Accumulated Losses	Total
	Share Capital RM'000	Capital RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at							
31 December 2000	800,354	118,157	34,753	17,815	(75,919)	(1,158,405)	(263,245)
Exchange adjustment	-	-	-	-	(1,370)	-	(1,370)
Net loss not recognised in the consolidated income statement	-	-	-	-	(1,370)	-	(1,370)
Issue of share capital	-	6,313	-	-	-	-	6,313
Conversion of ICPS	124,470	(124,470)	-	-	-	-	-
Reserve arising from investment in a subsidiary's ICPS	-	-	-	20,601	-	-	20,601
Net loss for the financial year	-	-	-	-	-	(50,949)	(50,949)
Balance as at							
31 December 2001	924,824	-	34,753	38,416	(77,289)	(1,209,354)	(288,650)
Exchange adjustment	-	-	-	-	(3,840)	-	(3,840)
Net loss not recognised in the consolidated income statement	-	-	-	-	(3,840)	-	(3,840)
Reserve arising from investment in a subsidiary's ICPS	-	-	-	27,369	-	-	27,369
Creation of capital reserve upon redemption of redeemable non-convertible preference shares by a subsidiary company	-	-	-	12,638	-	(12,638)	-
Net loss for the financial year	-	-	-	-	-	(18,629)	(18,629)
Balance as at							
31 December 2002	924,824	-	34,753	78,423	(81,129)	(1,240,621)	(283,750)
Company							
Balance as at							
31 December 2000	800,354	118,157	34,753	-	-	(572,970)	380,294
Issue of share capital	-	6,313	-	-	-	-	6,313
Conversion of ICPS	124,470	(124,470)	-	-	-	-	-
Net loss for the financial year	-	-	-	-	-	(11,048)	(11,048)
Balance as at							
31 December 2001	924,824	-	34,753	-	-	(584,018)	375,559
Net loss for the financial year	-	-	-	-	-	(180,962)	(180,962)
Balance as at							
31 December 2002	924,824	-	34,753	-	-	(764,980)	194,597

The attached notes form an integral part of the financial statements.

Cash Flow Statements

For the financial year ended 31 December 2002

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities				
Loss before taxation	(18,242)	(49,401)	(180,962)	(11,048)
Adjustments for:-				
Allowance for doubtful debts no longer required	(2,767)	(13,308)	(1,469)	(1,073)
Amortisation of investment	3	3	-	-
Bad debts written off	-	201	-	17
Depreciation of property, plant and equipment	5,398	7,095	815	783
Dividend income	(259)	(205)	-	(704)
Gain on assignment of debts	(1,917)	-	(1,917)	-
Gain on disposal of investment in subsidiary companies	-	(2,654)	-	(18,513)
Gain on disposal of property, plant and equipment	(130)	(644)	(75)	(177)
Impairment loss of investment in a subsidiary company (Note 7)	-	-	180,203	-
Impairment losses of property, plant and equipment	-	5,519	-	-
Interest expenses	11,889	10,855	2,211	1,809
Interest income	(3,341)	(3,624)	(884)	(979)
Interest waived on debts	(757)	-	-	-
Loss/(Gain) on disposal of investments	99	(216)	-	-
Property, plant and equipment written off	-	130	-	-
Provision for diminution in value of investments no longer required	-	-	(179)	-
Provision for diminution in value of investments	335	42,780	85	1,653
Provision for corporate guarantees no longer required	-	(2,332)	-	(2,332)
Settlement and novation of bank borrowings of subsidiary companies guaranteed by the Company	-	-	-	28,326
(Surplus)/Deficit arising from subsidiary companies not consolidated	(1,220)	831	-	-
Unrealised gain on foreign exchange	(328)	(910)	-	-
Operating loss before working capital changes	(11,237)	(5,880)	(2,172)	(2,238)
Decrease in inventories	90	1,494	-	-
Decrease in trade receivables	5,922	16,075	557	372
(Increase)/Decrease in other receivables	(1,968)	5,122	42	(98)
Increase in trade payables	319	12,510	6	6
Increase/(Decrease) in other payables	7,384	(16,498)	(1,133)	39
Increase/(Decrease) in amounts owing to related companies	102	908	(83)	-
Cash generated from/(used in) operations	612	13,731	(2,783)	(1,919)

The attached notes form an integral part of the financial statements.

Cash Flow Statements (Cont'd)

For the financial year ended 31 December 2002

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Cash generated from/(used in) operations	612	13,731	(2,783)	(1,919)
Deposits received from dealers and remisiers maintained as trust monies	(1,264)	(3,567)	–	–
Interest paid	(29)	(224)	(24)	(3)
Interest income received	2,049	1,175	884	979
Tax paid	(580)	(1,512)	–	–
Tax refund	–	12	–	–
Net cash from/(used in) operating activities	788	9,615	(1,923)	(943)
Cash Flows From Investing Activities				
Interest income received	1,189	2,449	–	–
Proceeds from disposal of investments	1,006	733	–	22,899
Proceeds from disposal of property, plant and equipment	130	1,951	75	231
Amount paid for acquisition of stockbroking licences pursuant to business merger arrangements	–	(97,537)	–	–
Dividend received	254	163	–	704
Acquisition of investments	(233)	–	–	–
Purchase of property, plant and equipment (Note 35)	(8,754)	(13,066)	(263)	(50)
Additional investment in subsidiary companies	(46)	(45)	(46)	(845)
Repayment from subsidiary companies	–	–	218	3,095
Repayment from associated companies	420	516	57	58
Additional investment in irredeemable convertible preference shares ("ICPS") of a subsidiary company	(7,420)	(6,941)	(7,420)	(6,941)
Placement of term deposits pledged with banks	(54)	(255)	(20)	(15)
Disposal of subsidiary companies (Note 36)	–	23,792	–	–
Subsidiary companies under winding-up not consolidated (Note 37)	(197)	(829)	–	–
Net cash (used in)/from investing activities	(13,705)	(89,069)	(7,399)	19,136

The attached notes form an integral part of the financial statements.

Cash Flow Statements (Cont'd)

For the financial year ended 31 December 2002

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Financing Activities				
Interest paid	(12,295)	(10,631)	(2,187)	(1,806)
Repayment of hire-purchase creditors	(24)	(114)	(9)	(69)
Repayment of bank borrowings	(2,857)	(3,837)	(900)	-
Repayment to subsidiary companies	-	-	-	(10,404)
(Repayment to)/Advances from related companies	(4,000)	70,000	-	(102)
Dividend paid to minority shareholders of a subsidiary company	-	(670)	-	-
Proceeds from issue of shares of a subsidiary company to minority shareholders	-	200	-	-
Net cash (used in)/from financing activities	(19,176)	54,948	(3,096)	(12,381)
Effect Of Exchange Rate Changes	(381)	(1,358)	-	-
Net (Decrease)/Increase In Cash And Cash Equivalents	(32,474)	(25,864)	(12,418)	5,812
Cash And Cash Equivalents At Beginning Of Financial Year				
As previously reported	103,850	129,711	34,043	28,231
Effect of exchange rate changes on cash and cash equivalents	7	3	-	-
As restated	103,857	129,714	34,043	28,231
Cash And Cash Equivalents At End Of Financial Year (Note 38)	71,383	103,850	21,625	34,043

The attached notes form an integral part of the financial statements.

Notes To The Financial Statements

31 December 2002

1. General Information

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

The registered office and principal place of business of the Company is located at 14th Floor, MUI Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur.

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

The financial statements are presented in Ringgit Malaysia.

2. Financial Risk Management Objectives And Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

Foreign Currency Risk

The Group is exposed to foreign currency risk as a result of its normal trading activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income against local currency costs.

The Group is also exposed to foreign currency risk in respect of its borrowings in Sterling Pound. Subject to the approval of Bank Negara Malaysia, the lending financial institution has approved to convert the Sterling Pound borrowings into Ringgit Malaysia borrowings. The conversion is pending the approval of Bank Negara Malaysia.

Credit Risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis to ensure that the Group is exposed to minimal credit risk. Term and call deposits and bank balances are placed with major financial institutions.

Market Risk

The Group's principal exposure to market risk arises mainly from the changes in equity prices. Equity investments classified as current assets are available for sale and the Group manages disposal of its investments to optimise returns on realisation.

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debts, and term and call deposits.

Liquidity and Cash Flow Risks

The Group seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowing structure. This is to ensure that the projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is within the Group's means to repay and refinance.

3. Principal Activities

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

- Stockbroking
- Hotel
- Travel
- Licensing of trademarks
- Property and 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.

4. Basis Of Preparation Of Financial Statements

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

5. Significant Accounting Policies

5.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies and in respect of the Group, also modified to include the revaluation of a landed property.

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5.2 Basis of Consolidation

Other than those subsidiary companies as disclosed in Note 7.2 to the financial statements, the consolidated financial statements include the financial statements of the Company and all the other subsidiary companies made up to 31 December 2002. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Significant inter-company transactions are eliminated on consolidation and the consolidated financial statements 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 there is impairment losses.

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

Minority interest is measured at the minorities' share of net results and of net assets of subsidiary companies attributable to interests which are not owned, directly or indirectly through subsidiary companies, by the Company.

5. Significant Accounting Policies (Cont'd)

5.3 Intangible Assets

Intangible assets relate to cost incurred on acquisition of stockbroking licences to enable the stockbroking subsidiary company to fulfil the requisite criteria of a "Universal Broker". Intangible assets are stated at cost less impairment losses, if any.

5.4 Property, Plant and Equipment and Depreciation

The gross carrying amounts of property, plant and equipment are initially measured at cost. Land and buildings which have been subsequently revalued are stated at valuation less accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is not depreciated. Leasehold land is amortised over the lease period of 91 and 92 years.

Other property, plant and equipment 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	5% – 10%
Office equipment	10% – 20%
Furniture and fittings	10% – 20%
Renovation	10% – 20%
Motor vehicles	20%

5.5 Foreign Currencies

(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 income statements.

(ii) Translation of foreign currency financial statements

In the consolidated financial statements, assets and liabilities of overseas subsidiary companies are translated at exchange rates ruling at the balance sheet date. Income statements items are translated at average exchange rates for the financial year. All exchange differences arising are dealt with through the exchange fluctuation reserve account.

The closing rates used in the translation of foreign currencies are as follows:-

	2002 RM	2001 RM
1 US Dollar	3.800	3.800
1 Sterling Pound	6.093	5.500
1 Singapore Dollar	2.192	2.050
1 Australian Dollar	2.153	1.934
1 Hong Kong Dollar	0.487	0.487
100 Rupiah	0.042	0.034

5. Significant Accounting Policies (Cont'd)

5.6 Deferred Taxation

Deferred taxation is provided for 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.

5.7 Investments

(i) Subsidiary companies

A subsidiary company is a company in which a group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

(ii) Associated companies

An associated company is a company in which the Group has a long term equity interest of between 20% to 50% and where the Group is in a position to exercise significant influence over the financial and operating policies of the investee company.

Investment in associated companies is stated at cost less impairment losses, if any.

Investment in associated companies is accounted for in the consolidated financial statements using the equity method. The Group's interests in associated companies are stated at cost plus adjustments to reflect changes in the Group's share of profits and losses in the associated companies.

Goodwill or negative goodwill arising on acquisition represents the difference between the cost of investment and the Group's share of the value of net assets of the associated companies at the date of acquisition.

The Group's share of results and reserves in the associated companies acquired or disposed of are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

(iii) Other investments

Investment in shares held as long term investments are stated at cost less provision for diminution in value, if any.

Investment in golf club membership held as long term investments are stated at cost less accumulated amortisation and provision for diminution in value, if any.

Investment in quoted shares held as short term investments are stated at the lower of cost and market value on a portfolio basis.

5. Significant Accounting Policies (Cont'd)

5.8 Impairment of Assets

The carrying amount of the Group's and Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement. All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

The impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and subsequent external events have occurred that reverse the effect of the specific event. In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average method.

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

The cost of finished goods include the cost of raw materials, direct labour and a proportion of appropriate overheads.

5.10 Receivables

Known bad debts are written off and allowance is made for debts where the collectibility is considered doubtful.

For stockbroking subsidiary, specific allowance for doubtful debts is made for trade receivables which have been classified as non-performing, after deducting interest-in-suspense, the value of collateral held and the deposit of and all amounts owing to the dealers representatives. A general allowance based on a percentage of trade receivables is made after deducting specific allowance, to cover possible losses which are not specifically identified. Interest is suspended and credited to the interest-in-suspense account when an account is classified as non-performing. The classification of an account as performing and non-performing for allowance for doubtful debts and the suspension of interest is made in accordance with the Rules of Kuala Lumpur Stock Exchange.

5.11 Assets Acquired Under Hire-Purchase

Assets financed by hire-purchase agreements which in substance transfer the risks and benefits of ownership of the assets to the Group have been capitalised under property, plant and equipment 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 income statements so as to give a constant periodic rate of charge on the remaining hire-purchase liabilities.

5. Significant Accounting Policies (Cont'd)

5.12 Development Property

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

5.13 Provision

Provision is recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.14 Revenue Recognition

Revenue from sale of goods are recognised upon delivery of products and customers' acceptance, if any, net of sales taxes and discounts, and after eliminating sales within the Group.

Revenue from invoiced value of tickets sold is recognised upon issuance of tickets.

Revenue from hotel comprises of sales of room and food and beverage. Sales of room is recognised upon actual occupancy of rooms by guests whilst food and beverage are upon delivery of goods to guests.

Brokerage fees are recognised on accrual basis upon completion of the trading contract.

Interest income is recognised on an accrual basis except where margin accounts and contra losses of share trading accounts are considered non-performing in accordance with the Rules of Kuala Lumpur Stock Exchange, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised upon receipt until all arrears have been paid.

Royalty income and rental income are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend income from subsidiary companies are recognised when the investing company's right to receive payment is established.

Dividend income from other investments are recognised as and when received.

Underwriting commission is recognised on an accrual basis once the underwriting exercise is concluded.

Public issues commission is recognised on receipt basis.

Corporate finance and advisory fees are recognised progressively in accordance with the terms of engagement.

All other revenue is recognised on an accrual basis.

5.15 Cash and Cash Equivalents

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

5. Significant Accounting Policies (Cont'd)

5.16 Financial Instruments

5.16.1 Financial instruments recognised on the balance sheets:-

a) Redeemable convertible bond ("Bond")

The redeemable convertible bond is convertible up to 1,000,000 new ordinary shares of RM1.00 each of Pan Malaysia Capital Berhad within a five (5) years period to 28 December 2004 or redeemable for cash at maturity date on 29 December 2004 at the issue price. As the Bond is redeemable on 29 December 2004, it is classified as liability. No coupon rate is attached to and no interest is payable on the Bond.

b) The accounting policies for financial instruments other than those stated in 5.16.1 (a) are disclosed in the individual policies associated with each item.

5.16.2 Disclosures of fair values

The fair values of the financial assets and liabilities maturing within 12 months are stated at approximately the carrying value as at the balance sheet date.

The fair values of quoted investments other than quoted investments in a subsidiary company are estimated based on quoted market prices. For investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. Therefore, such investments are valued at cost subject to review for impairment.

The fair value of quoted investment in a subsidiary company is based on its recoverable amount by reference to its value in use.

The fair value of the term loans from a related company is estimated based on the current market rates offered for loans of the similar nature.

The fair value of the redeemable convertible bond is estimated based on its discounted cash flow using the current market rate offered to the Group for borrowings of the similar remaining maturity.

The fair values of other term loans are estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Group for loans of the same remaining maturities.

6. Property, Plant And Equipment Group

Cost or Valuation

Balance as at 1 January

Cost

Valuation

Exchange differences

Additions

Disposals

Written off

Subsidiaries disposed

Subsidiaries not consolidated

Balance as at

31 December

Representing:-

Cost

Valuation

Accumulated Depreciation

Balance as at 1 January

Exchange differences

Charge for the financial year

Disposals

Written off

Subsidiaries disposed

Subsidiaries not consolidated

Balance as at 31 December

Accumulated Impairment Losses

Balance as at 1 January

Disposals

Subsidiaries not consolidated

Balance as at

31 December

Net Book Value

Balance as at

31 December 2002

Balance as at

31 December 2001

	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings RM'000	Office Equipment RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Plant and Machinery RM'000	Renovation RM'000	2002 RM'000	2001 RM'000	Total
Cost or Valuation											
Balance as at 1 January	12,106	1,146	74,827	16,252	11,834	6,013	7,613	3,917	133,708	219,669	
Cost	-	6,617	-	-	-	-	-	-	6,617	6,617	
Valuation	12,106	7,763	74,827	16,252	11,834	6,013	7,613	3,917	140,325	226,286	
Exchange differences	-	-	-	10	-	-	-	-	10	(2)	
Additions	-	1,580	1,229	3,115	686	313	2	1,876	8,801	13,066	
Disposals	-	-	-	-	(108)	(408)	(6,630)	-	(7,146)	(3,400)	
Written off	-	-	-	-	-	-	-	-	-	(7,449)	
Subsidiaries disposed	-	-	-	-	-	-	-	-	-	(87,552)	
Subsidiaries not consolidated	-	(1,146)	(4,362)	(318)	(164)	-	-	-	(5,990)	(624)	
Balance as at 31 December	12,106	8,197	71,694	19,059	12,248	5,918	985	5,793	136,000	140,325	
Representing:-											
Cost	12,106	1,580	71,694	19,059	12,248	5,918	985	5,793	129,383	133,708	
Valuation	-	6,617	-	-	-	-	-	-	6,617	6,617	
Accumulated Depreciation	12,106	8,197	71,694	19,059	12,248	5,918	985	5,793	136,000	140,325	
Balance as at 1 January	-	559	10,097	10,484	9,020	5,842	6,184	1,781	43,967	109,130	
Exchange differences	-	-	-	7	-	-	-	-	7	(2)	
Charge for the financial year	-	87	1,395	2,266	762	123	-	765	5,398	7,095	
Disposals	-	-	-	-	(90)	(408)	(6,184)	-	(6,682)	(2,093)	
Written off	-	-	-	-	-	-	-	-	-	(7,319)	
Subsidiaries disposed	-	-	-	-	-	-	-	-	-	(62,260)	
Subsidiaries not consolidated	-	(148)	(1,385)	(307)	(152)	-	-	-	(1,992)	(584)	
Balance as at 31 December	-	498	10,107	12,450	9,540	5,557	-	2,546	40,698	43,967	
Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-	-	
Balance as at 1 January	-	-	5,032	10	31	-	446	-	5,519	5,519	
Disposals	-	-	-	-	(18)	-	(446)	-	(464)	-	
Subsidiaries not consolidated	-	-	-	(10)	(13)	-	-	-	(23)	-	
Balance as at 31 December	-	-	5,032	-	-	-	-	-	5,032	5,519	
Net Book Value	12,106	7,699	56,555	6,609	2,708	361	985	3,247	90,270	-	
Balance as at 31 December 2002	12,106	7,204	59,698	5,758	2,783	171	983	2,136	-	90,839	

6. Property, Plant And Equipment (Cont'd)

Company	<i>Freehold Land RM'000</i>	<i>Buildings RM'000</i>	<i>Office Equipment RM'000</i>	<i>Furniture and Fittings RM'000</i>	<i>Motor Vehicles RM'000</i>	<i>Renovation RM'000</i>	<i>Total 2002 RM'000</i>	<i>2001 RM'000</i>
Cost								
Balance as at 1 January	10,850	26,542	1,979	6,581	2,428	82	48,462	48,971
Additions	-	-	3	-	260	-	263	50
Disposals	-	-	-	-	(408)	-	(408)	(559)
Balance as at 31 December	10,850	26,542	1,982	6,581	2,280	82	48,317	48,462
Accumulated Depreciation								
Balance as at 1 January	-	4,099	1,507	6,323	2,345	9	14,283	14,005
Charge for the financial year	-	531	119	73	84	8	815	783
Disposals	-	-	-	-	(408)	-	(408)	(505)
Balance as at 31 December	-	4,630	1,626	6,396	2,021	17	14,690	14,283
Net Book Value								
Balance as at 31 December 2002	10,850	21,912	356	185	259	65	33,627	-
Balance as at 31 December 2001	10,850	22,443	472	258	83	73	-	34,179

As at 31 December 2002, 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.

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

	<i>2002 RM'000</i>	<i>2001 RM'000</i>
Cost	727	727
Less: Accumulated depreciation	(53)	(46)
Net book value	674	681

The net book value of property, plant and equipment pledged to financial institutions for banking facilities amounted to RM71,643,902 (2001 : RM72,892,466) for the Group and RM32,566,242 (2001 : RM33,092,211) for the Company.

The net book value of plant and machinery and other assets acquired under hire-purchase arrangements amounted to RM42,295 (2001 : RM10,819) and Nil (2001 : RM10,818) for the Group and for the Company respectively.

7. Investment In Subsidiary Companies

	2002 RM'000	2001 RM'000
7.1 Company		
Shares quoted in Malaysia, at cost	293,920	286,456
Unquoted shares, at cost	15,938	15,936
	309,858	302,392
Less: Impairment losses	(194,940)	(14,737)
	114,918	287,655
Market value of quoted shares	58,695	101,964

The subsidiary companies are listed in Note 46 to the financial statements.

As at 31 December 2002, the market value of an investment in a subsidiary company based on the market value of its quoted shares has declined significantly due to the prevailing weak equity prices on the Kuala Lumpur Stock Exchange ("KLSE"). In 2002, the equity prices were adversely affected, inter-alia, by the economic uncertainties and corporate governance malpractices in United States and the Iraq-United States conflict. The operations of the said subsidiary company was also adversely affected by the weak market sentiment and the performance of the KLSE. In compliance with MASB 23 "Impairment of Assets", an impairment loss of RM180,203,000 on this investment is recognised to reflect its recoverable amount. The recoverable amount of this investment is determined by reference to its value in use. The discount rate used in the estimate of value in use is 7% per annum.

7.2 Group

- (i) The consolidated financial statements of the Group do not deal with the following subsidiary companies:-

Asia Entertainment Network Sdn Bhd
GCIH (Singapore) Pte Ltd
Grand Union General and Motor Insurance Company Limited
Grand Union Insurance Company Limited
Heng's Food & Beverage Industries Pte Ltd
Office Business Systems (Malacca) Sdn Bhd
Office Business Systems (Penang) Sdn Bhd
Office Business Systems Sdn Bhd
Pengkalan Electronics Industries Sdn Bhd
Pengkalan Heights Sdn Bhd
Sensor Equipment Sdn Bhd
Technitone (M) Sdn Bhd
Welland Investments Pte Ltd

These companies which are in the process of winding-up were placed under winding-up or receivership prior to 2001. The companies which were placed under receivership were also subsequently placed under winding-up.

7. Investment In Subsidiary Companies (Cont'd)

- (ii) The consolidated financial statements of the Group do not deal with the following subsidiary companies from the date its control in these subsidiary companies ceased:-

- (a) Those companies mentioned in Note 31(iv) to the financial statements were placed under voluntary winding-up during the previous financial year. Accordingly, the consolidated income statement for the previous financial year included the result of these companies up to the date when these companies were placed under winding-up.

The effects of the non-consolidation of these companies on the financial results of the Group for the previous financial year were as follows:-

	<i>2001 RM'000</i>
Revenue	5,090
Operating costs	(5,616)
Deficit arising from subsidiary companies not consolidated	(831)
Loss from operations before taxation	(1,357)
Taxation	11
Loss after taxation	(1,346)
Minority interest	(5)
Increase in Group net loss	(1,351)

The effects of the non-consolidation of these companies on the financial position of the Group for the previous financial year were as follows:-

	<i>At the Date of Non-Consolidation 2001 RM'000</i>
Property, plant and equipment	40
Goodwill on consolidation	623
Current assets	1,925
Current liabilities	(1,752)
Minority interest	(5)
Decrease in Group net assets	831

- (b) The following companies were placed under voluntary winding-up during the financial year:-

Cocoa Specialities (Malaysia) Sdn Bhd
Fibercorp (Sarawak) Sdn Bhd

Accordingly, the consolidated income statement includes the result of these companies up to the date when these companies were placed under winding-up.

7. Investment In Subsidiary Companies (Cont'd)

The effects of the non-consolidation of these companies on the financial result of the Group are as follows:-

	2002 RM'000	2001 RM'000
Revenue	-	-
Operating costs	(48)	(1,032)
Surplus arising from subsidiary companies not consolidated	1,220	-
Profit/(Loss) from operations before taxation	1,172	(1,032)
Taxation	-	(1)
Profit/(Loss) after taxation	1,172	(1,033)
Minority interest	-	-
Decrease/(Increase) in Group net loss	1,172	(1,033)

The effects of the non-consolidation of these companies on the financial position of the Group are as follows:-

	At the Date of Non-Consolidation 2002 RM'000	2001 RM'000
Property, plant and equipment	3,975	4,025
Current assets	226	342
Current liabilities	(5,419)	(349)
Minority interest	(2)	(2)
(Decrease)/Increase in Group net liabilities	(1,220)	4,016

7.3 Disposal of Subsidiary Companies

In 2001, the Group has disposed of Focusprint Sendirian Berhad, Labels Specialist Industries Sdn Bhd and Pengkalen Concrete Sdn Bhd.

- (i) The effects of the disposal on the results of the Group for the previous financial year up to date of disposal were as follows:-

	1.1.2001 to Date of Disposal RM'000
Revenue	22,908
Operating costs	(23,552)
Gain on disposal of investment in subsidiary companies	2,654
Profit from operations	2,010
Finance cost	(321)
Profit before taxation	1,689
Taxation	(288)
Profit after taxation	1,401
Less: minority interest	(849)
Decrease in Group net loss	552

7. Investment In Subsidiary Companies (Cont'd)

- (ii) The effects of the disposal on the financial position of the Group for the previous financial year as at date of disposal were as follows:-

	<i>At the Date of Disposal 2001 RM'000</i>
Property, plant and equipment	25,292
Goodwill on consolidation	730
Current assets	52,064
Current liabilities	(36,259)
Deferred and long term liabilities	(1,627)
Minority interest	(15,455)
	<hr/>
Increase in Group net liabilities	24,745

Details of net assets and goodwill disposed, and cash flow arising from the disposal are disclosed in Note 36 to the financial statements.

8. Investment In Associated Companies

	<i>Group 2002 RM'000</i>	<i>2001 RM'000</i>
Unquoted shares, at cost	208	208
Share of post acquisition losses	(208)	(208)
	<hr/>	<hr/>
	-	-

The associated companies are listed in Note 46 to the financial statements.

9. Long Term Investments

	<i>Group 2002 RM'000</i>	<i>2001 RM'000</i>	<i>Company 2002 RM'000</i>	<i>2001 RM'000</i>
Unquoted shares, at cost	225,710	225,710	24,190	24,190
Less: Provision for diminution in value	(206,569)	(206,569)	(24,190)	(24,190)
	19,141	19,141	-	-
Quoted shares, at cost:- Outside Malaysia	20,336	20,336	20,222	20,222
Less: Provision for diminution in value	(19,156)	(19,248)	(19,058)	(19,152)
	1,180	1,088	1,164	1,070
Other unquoted investments, at cost	1,034	1,034	401	401
Less: Provision for diminution in value	(121)	(121)	-	-
Accumulated amortisation	(21)	(18)	-	-
	892	895	401	401
	21,213	21,124	1,565	1,471
Market value of quoted shares:- Outside Malaysia	1,180	1,088	1,164	1,070

10. Goodwill On Consolidation

	Group	
	2002	2001
	RM'000	RM'000
Balance as at 1 January	8,368	9,721
Realisation of goodwill on:-		
– disposal of subsidiary companies	–	(730)
– wind-up of subsidiary companies	–	(623)
Balance as at 31 December	8,368	8,368

11. Intangible Assets

	Group	
	2002	2001
	RM'000	RM'000
Balance as at 1 January	144,037	–
Acquisition of stockbroking licences during the financial year	–	144,037
Balance as at 31 December	144,037	144,037

12. Inventories

	Group	
	2002	2001
	RM'000	RM'000
At Cost:-		
Finished goods	128	128
Consumables, food, beverages, etc	695	786
	823	914

13. Development Property

	Group	
	2002	2001
	RM'000	RM'000
Freehold land, at cost	2,953	2,953
Development expenditure	1,774	1,774
	4,727	4,727

14. Short Term Investments

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Quoted shares in Malaysia, at cost	24,057	25,326	7	10
Less: Provision for diminution in value	(15,159)	(15,129)	(5)	(8)
	8,898	10,197	2	2
Market value of quoted shares	8,898	10,197	2	2

15. Receivables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables	466,573	473,501	126	683
Less: Allowance for doubtful debts, net of bad debts written off of RM95,700 (2001 : RM118,628,266) for the Group and Nil (2001 : 122,170) for the Company	(440,771)	(444,524)	(122)	(122)
	25,802	28,977	4	561
Other receivables	59,031	54,363	3,541	3,568
Less: Allowance for doubtful debts, net of bad debts written off of Nil (2001 : RM32,855) for the Group and Nil (2001 : RM15,555) for the Company	(50,646)	(50,702)	(3,511)	(3,511)
	8,385	3,661	30	57
Deposits	3,515	1,492	265	296
Prepayments	1,017	5,766	309	293
Tax recoverable	1,349	1,319	1,315	1,315
	40,068	41,215	1,923	2,522

The credit term of trade receivables range from cash term to 45 days.

16. Amounts Owning By/To Subsidiary Companies

	Company	
	2002 RM'000	2001 RM'000
Amounts owing by subsidiary companies	443,049	440,800
Less: Allowance for doubtful debts, net of bad debts written off of Nil (2001 : RM32,158,482)	(348,539)	(349,999)
	94,510	90,801
Amounts owing to subsidiary companies	2	2

Amounts owing by subsidiary companies represent balances arising from advances and payments made on behalf and balances arising from the settlement of certain subsidiary companies' debts by the issuance of shares in the Company pursuant to the schemes of arrangement of the Company and these subsidiary companies under Section 176 of the Companies Act, 1965 which are unsecured, have no fixed terms of repayment and interest-free except for an amount owing by a subsidiary company of RM150,000 (2001 : RM150,000) which bears interest at 9% (2001 : 9%) per annum.

Amounts owing to subsidiary companies represent advances and payments made on behalf which are unsecured, interest-free and have no fixed terms of repayment.

17. Amounts Owning By/To Associated Companies

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Amounts owing by associated companies	1,141	1,559	26	83
Less: Allowance for doubtful debts, net of bad debts written off of Nil (2001 : RM867,007) for the Group and Nil (2001 : RM122,002) for the Company	(1,141)	(1,152)	(26)	(35)
	-	407	-	48
Amounts owing to an associated company	3	-	-	-

The amounts owing by 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.

The amount owing to an associated company represents balances arising from payments on behalf which are unsecured, interest-free and have no fixed terms of repayment.

18. Term And Call Deposits

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Term and call deposits with:-				
Licensed banks	50,783	77,233	10,642	25,424
Other corporations	23,004	25,960	11,280	9,040
	73,787	103,193	21,922	34,464

Included in deposits with licensed banks are:-

- deposits totalling RM9,412,735 (2001 : RM12,409,392) of subsidiary companies maintained as trust monies in accordance with the requirements of the KLSE and Securities Industry Act, 1983;
- a deposit of RM36,980 (2001 : RM34,146) belonging to a subsidiary company representing customers' segregated funds which has been segregated and separately accounted for under Section 52A of the Futures Industry Act, 1993;
- deposits totalling RM1,086,853 (2001 : RM1,052,883) of subsidiary companies pledged to licensed banks to secure their banking facilities; and
- a deposit of RM537,705 (2001 : RM517,956) of the Company pledged to a licensed bank to secure banking facility of a subsidiary company.

19. Cash And Bank Balances

Group

Included in cash and bank balances of the Group are amounts totalling RM5,805,155 (2001 : RM6,498,508) maintained as trust monies in accordance with the requirements of the KLSE and the Securities Industry Act, 1983.

The foreign currency exposure of bank balances of the Group are as follows:-

	Group	
	2002	2001
	RM'000	RM'000
Singapore Dollar	19	6
Sterling Pound	123	71

20. Payables

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Trade payables	20,652	20,333	32	26
Other payables, deposits and accruals	16,980	16,939	398	981
Dealers' and remisiers' commission and deposits	8,614	9,526	–	–
	46,246	46,798	430	1,007

The credit terms of trade payables range from 3 to 60 days.

21. Provision

	Group	Company
	2002	2002
	RM'000	RM'000
Provision for corporate guarantees:-		
Balance as at 1 January/31 December	5,184	45,184
Current	5,184	5,184
Non-current	–	40,000

The provision is in respect of corporate guarantees given by the Company for banking facilities granted to a subsidiary company and unconsolidated subsidiary companies. These two unconsolidated subsidiary companies are under winding-up.

22. Amounts Owning To Related Companies

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Non-current:-				
– term loans	66,000	70,000	–	–
Current:-				
– others	2,189	2,521	778	861
	68,189	72,521	778	861
The term loans are unsecured and consist of:-				
Term loan A	36,000	40,000	–	–
Term loan B	30,000	30,000	–	–
	66,000	70,000	–	–
The term loans are repayable as follows:-				
After the next 12 months:-				
– not later than two years	30,000	40,000	–	–
– later than two years and not later than five years	36,000	30,000	–	–
	66,000	70,000	–	–

Term loan A bears interest at 7.5% per annum and is repayable by lump sum upon maturity.

Term loan B bears interest at 7.0% per annum and is repayable by lump sum upon maturity.

Other amounts owing 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:-

	Group	
	2002	2001
	RM'000	RM'000
Outstanding advances	350	350
Interest rate per annum (%)	8	8

23. Borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current Liabilities				
Bank overdrafts – unsecured	395	656	–	–
Hire-purchase creditors (Note 24)	16	13	–	9
Term loans				
– secured (Note 25)	3,399	52,626	–	–
– unsecured (Note 25)	900	900	900	900
	4,710	54,195	900	909
Long Term Liabilities				
Hire-purchase creditors (Note 24)	20	–	–	–
Term loans				
– secured (Note 25)	50,684	–	–	–
– unsecured (Note 25)	26,100	27,000	26,100	27,000
	76,804	27,000	26,100	27,000
Total Borrowings				
Bank overdrafts – unsecured	395	656	–	–
Hire-purchase creditors (Note 24)	36	13	–	9
Term loans				
– secured (Note 25)	54,083	52,626	–	–
– unsecured (Note 25)	27,000	27,900	27,000	27,900
	81,514	81,195	27,000	27,909
	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Weighted average effective interest rate:-				
Bank overdrafts	7.5	7.5	–	–
Hire-purchase arrangements	9.0	12.3	–	11.8
Term loans	8.0	8.0	8.0	8.0

23. Borrowings (Cont'd)

The maturity of the financial liabilities are as follow:-

	<i>Fixed Rate RM'000</i>	<i>Floating Rate RM'000</i>	<i>Total RM'000</i>
Group			
As at 31 December 2002			
Within one year	16	4,694	4,710
More than one year and less than five years	43,320	33,484	76,804
	43,336	38,178	81,514
As at 31 December 2001			
Within one year	52,639	1,556	54,195
More than one year and less than five years	24,300	2,700	27,000
	76,939	4,256	81,195

Company

As at 31 December 2002

Within one year	–	900	900
More than one year and less than five years	24,300	1,800	26,100
	24,300	2,700	27,000

As at 31 December 2001

Within one year	9	900	909
More than one year and less than five years	24,300	2,700	27,000
	24,309	3,600	27,909

	<i>Group</i>		<i>Company</i>
	<i>2002 RM'000</i>	<i>2001 RM'000</i>	<i>2002 RM'000</i>
			<i>2001 RM'000</i>

Currency exposure profile:-

Sterling Pound	35,083	31,668	–	–
Ringgit Malaysia	46,431	49,527	27,000	27,909
	81,514	81,195	27,000	27,909

24. Hire-Purchase Creditors

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM'000</i>	<i>2001 RM'000</i>	<i>2002 RM'000</i>	<i>2001 RM'000</i>
Minimum hire-purchase payments:-				
– not later than one year	18	13	–	9
– later than one year and not later than five years	21	–	–	–
	39	13	–	9
Less: Future interest charges	(3)	–	–	–
Present value of hire-purchase liabilities	36	13	–	9
Repayable as follows:-				
Current liabilities:-				
– not later than one year	16	13	–	9
Long term liabilities:-				
– later than one year and not later than five years	20	–	–	–
	36	13	–	9

25. Term Loans

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM'000</i>	<i>2001 RM'000</i>	<i>2002 RM'000</i>	<i>2001 RM'000</i>
Secured	54,083	52,626	–	–
Unsecured	27,000	27,900	27,000	27,900
	81,083	80,526	27,000	27,900
Repayable as follows:-				
Current liabilities:-				
– within one year	4,299	53,526	900	900
Long term liabilities				
– more than one year and less than five years	76,784	27,000	26,100	27,000
	81,083	80,526	27,000	27,900

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

- fixed legal charges over landed properties of the Group;
- fixed and floating charges over the assets of a subsidiary company;
- ordinary shares in a subsidiary company; and
- corporate guarantees from the Company.

26. Share Capital

	<i>Group and Company</i>			
	<i>2002</i>		<i>2001</i>	
	<i>Number of Shares (‘000)</i>	<i>RM’000</i>	<i>Number of Shares (‘000)</i>	<i>RM’000</i>
(a) Authorised:-				
Ordinary shares of RM1.00 each	2,000,000	2,000,000	2,000,000	2,000,000
Irredeemable convertible preference shares (“ICPS”) of RM1.00 each	1,000,000	1,000,000	1,000,000	1,000,000
Total	3,000,000	3,000,000	3,000,000	3,000,000
(b) Issued and fully paid:-				
Ordinary shares of RM1.00 each:-				
Balance as at 1 January	924,824	924,824	800,354	800,354
Converted from ICPS during the year	–	–	124,470	124,470
Balance as at 31 December	924,824	924,824	924,824	924,824
ICPS of RM1.00 each:-				
Balance as at 1 January	–	–	118,157	118,157
Issued during the year	–	–	6,313	6,313
Converted to ordinary shares during the year	–	–	(124,470)	(124,470)
Balance at 31 December	–	–	–	–
Total	924,824	924,824	924,824	924,824

During the previous financial year, the changes to the issued and paid-up share capital of the Company were as follows:-

- (i) issuance of 6,313,607 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 scheme of arrangement of the Company.

The new ICPS rank pari passu in all respects with the then existing ICPS of the Company.

- (ii) the conversion of 124,470,793 ICPS of RM1.00 each into 124,470,793 new ordinary shares of RM1.00 each credited as fully paid-up in the ordinary share capital of the Company in accordance with the terms of the ICPS.

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

27. Reserves

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
(i) Non-distributable reserves:-				
– Exchange fluctuation reserve	(81,129)	(77,289)	–	–
– Capital reserve	78,423	38,416	–	–
– Share premium	34,753	34,753	34,753	34,753
(ii) Accumulated losses	(1,240,621)	(1,209,354)	(764,980)	(584,018)
	(1,208,574)	(1,213,474)	(730,227)	(549,265)

28. Redeemable Convertible Bond

The principal terms of the redeemable convertible bond ("Bond") are as follows:-

- (i) convertible up to 1,000,000 new ordinary shares of RM1.00 each in Pan Malaysia Capital Berhad ("PM Capital") within a five (5) years period to 28 December 2004 or redeemable for cash at maturity date on 29 December 2004 at the issue price; and

- (ii) no coupon rate shall be attached to and no interest shall be payable on the Bond.

29. Deferred Tax Liabilities

	Group	
	2002	2001
	RM'000	RM'000
Deferred Taxation		
Balance as at 1 January	–	1,627
Deferred taxation of subsidiary companies disposed	–	(1,627)
Balance as at 31 December	–	–

30. Revenue

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Sales of goods	–	27,998	–	–
Rendering of services:-				
– ticketing and travel related	31,315	31,494	–	–
– hotel	6,722	6,723	–	–
– other services	1,699	85	–	–
Interest income	2,076	1,175	884	980
Rental and parking income	66	126	180	396
Brokerage fees	13,511	6,893	–	–
Royalty fee	483	865	–	–
Dividend income	–	–	–	704
Others	267	278	404	397
	56,139	75,637	1,468	2,477

31. Discontinued Operations

The effects of the discontinued operations on the financial results of the Group were as follows:-

	2002	2001
	RM'000	RM'000
Revenue		
– Disposal of subsidiary companies (Note 7.3 (i))	–	22,908
– Winding-up of subsidiary companies (Note 7.2 (ii) (a))	–	5,090
	–	<u>27,998</u>
Profit/(Loss) from operations		
– Disposal of subsidiary companies (Note 7.3 (i))	–	2,010
– Winding-up of subsidiary companies (Note 7.2 (ii) (a))	–	(1,357)
	–	<u>653</u>

Discontinued operations in 2001 are in respect of the following:-

- (i) Pengkalen Concrete Sdn Bhd, a subsidiary company which is principally engaged in manufacturing and dealing in cement, pre-mixed concrete and builders' requisite, was disposed of on 23 March 2001 for cash consideration of RM6.90 million. The result of this operation had previously been reported in the pre-mixed concrete segment under the segment information as disclosed in Note 43 to the financial statements. The financial effects of this discontinued operation have been disclosed in Note 7.3 to the financial statements.
- (ii) Focusprint Sendirian Berhad, a subsidiary company of Labels Specialist Industries Sdn Bhd, which is principally engaged in manufacturing of carton boxes, general packaging products and printing press, was disposed of on 23 March 2001 for cash consideration of RM4.50 million. The result of this operation had previously been reported in the labels, packaging and printing segment under the segment information as disclosed in Note 43 to the financial statements. The financial effect of this discontinued operation have been disclosed in Note 7.3 to the financial statements.
- (iii) Labels Specialist Industries Sdn Bhd, a subsidiary company which is principally engaged in manufacturing and sale of self-adhesive sticker labels, was disposed of on 2 October 2001 for cash consideration of RM16.00 million. The result of this operation had previously been reported in the labels, packaging and printing segment under the segment information as disclosed in Note 43 to the financial statements. The financial effect of this discontinued operation have been disclosed in Note 7.3 to the financial statements.
- (iv) The following subsidiary companies which had been placed under voluntary winding-up:-

Company	Commencement Date of Winding-up	Principal Activities	Segment Industry
1. Pengkalen Engineering & Construction Sdn Bhd	12.12.2001	Inactive	Building materials
2. Pengkalen Pasar Borong Sdn Bhd	12.12.2001	Inactive	Property and investment holding
3. Pengkalen Raya Sdn Bhd	12.12.2001	Inactive	Property and investment holding

31. Discontinued Operations (Cont'd)

Company	Commencement Date of Winding-up	Principal Activities	Segment Industry
<input type="checkbox"/> 4. Buana Mewah Sdn Bhd	19.12.2001	Inactive	Property and investment holding
<input type="checkbox"/> 5. Fiberoptik (Sabah) Sdn Bhd	19.12.2001	Dormant	Property and investment holding
<input type="checkbox"/> 6. GCIH (Malaysia) Sdn Bhd	19.12.2001	Inactive	Property and investment holding
<input type="checkbox"/> 7. Giatjaya Enterprise Sdn Bhd	19.12.2001	Inactive	Property and investment holding
<input type="checkbox"/> 8. Kejora Etika Sdn Bhd	19.12.2001	Dormant	Property and investment holding
9. Pengkalen Building Materials Sdn Bhd	19.12.2001	Trading in building materials	Building materials
<input type="checkbox"/> 10. Pengkalen Comtec Sdn Bhd	19.12.2001	Dormant	Property and investment holding
<input type="checkbox"/> 11. Pengkalen HB Property Services Sdn Bhd	19.12.2001	Dormant	Property and investment holding
<input type="checkbox"/> 12. Pengkalen Hill Resort Sdn Bhd	19.12.2001	Dormant	Property and investment holding
<input type="checkbox"/> 13. Serba Sinar Sdn Bhd	19.12.2001	Dormant	Property and investment holding
<input type="checkbox"/> 14. Tenamaju Sdn Bhd	19.12.2001	Inactive	Property and investment holding
<input type="checkbox"/> 15. Pengkalen (Hong Kong) Limited	28.12.2001	Inactive	Property and investment holding
<input type="checkbox"/> Subsidiary companies dissolved during the financial year ended 31 December 2002 as disclosed in Note 44 (vi)(g) and (h) to the financial statements.			

Accordingly, for accounting purposes, the consolidated financial statements of the Group did not include these subsidiary companies with effect from the date of their winding-up. The results of these operations had previously been reported in the respective segments under the segment information as disclosed in Note 43 to the financial statements. The financial effect of these discontinued operations have been disclosed in Note 7.2 (ii) to the financial statements.

32. Loss Before Taxation

	<i>Group</i>		<i>Company</i>	
	<i>2002</i> <i>RM'000</i>	<i>2001</i> <i>RM'000</i>	<i>2002</i> <i>RM'000</i>	<i>2001</i> <i>RM'000</i>
Loss before taxation is arrived at:-				
After charging:-				
Amortisation of investment	3	3	–	–
Auditors' remuneration:-				
– current year provision	213	226	25	25
– overprovision in prior year	(15)	(12)	–	(2)
Bad debts written off	–	201	–	17
Depreciation of property, plant and equipment	5,398	7,095	815	783
Directors' remuneration:-				
– fees	170	199	98	117
– other emoluments	442	351	192	183
– benefits-in-kind	33	25	32	25
Property, plant and equipment written off	–	130	–	–
Impairment loss of investment in a subsidiary company (Note 7.1)	–	–	180,203	–
Impairment losses of property, plant and equipment	–	5,519	–	–
Interest expense:-				
– bank overdrafts	24	113	–	–
– term loans	7,052	6,825	2,187	1,806
– related company	4,781	3,806	–	–
– hire-purchase	4	–	–	–
– others	28	111	24	3
Realised loss on foreign exchange	–	7	–	–
Loss on disposal of investments	99	–	–	–
Provision for diminution in value of investments	335	42,780	85	1,653
Rental of:-				
– land and buildings	681	–	–	–
– equipment	1,722	1,584	6	6
Rental paid and payable to a related company	1,283	1,067	135	158
Settlement and novation of bank borrowings of subsidiary companies guaranteed by the Company	–	–	–	28,326
Deficit arising from subsidiary companies not consolidated	–	831	–	–

32. Loss Before Taxation (Cont'd)

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
And crediting:-				
Allowance for doubtful debts no longer required	2,767	13,308	1,469	1,073
Bad debts recovered	1,192	–	13	–
Gain on assignment of debts	1,917	–	1,917	–
Gain on disposal of investment in subsidiary companies	–	2,654	–	18,513
Gain on disposal of investments	–	216	–	–
Gain on disposal of property, plant and equipment	130	644	75	177
Gain on foreign exchange:-				
– realised	88	–	–	–
– unrealised	328	910	–	–
Gross dividends from investments in Malaysia:-				
– quoted	19	205	–	704
– unquoted	240	–	–	–
Interest receivable:-				
– subsidiary companies	–	–	13	13
– others	3,341	3,624	871	966
Interest waived on debts	757	–	–	–
Management fees received and receivable from:-				
– subsidiary companies	–	–	404	398
– other	–	4	–	–
Provision for diminution in value of investments no longer required	–	–	179	–
Provision for corporate guarantees no longer required	–	2,332	–	2,332
Rental income:-				
– subsidiary companies	–	–	142	358
– others	181	199	38	14
Surplus arising from subsidiary companies not consolidated	1,220	–	–	–

33. Taxation

	<i>Group</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM'000</i>	<i>RM'000</i>
Current year provision	395	801
Overprovision in prior years	(15)	(11)
	380	790

33. Taxation (Cont'd)

Provision for taxation is made in the financial statements of the Group for 2002 and 2001 even though the Group recorded a consolidated loss before taxation due mainly to certain expenses which are not deductible for tax purposes and the non-availability of group relief where tax losses of subsidiary companies cannot be set-off against the taxable profits of other subsidiary companies.

Subject to the agreement with the Inland Revenue Board, the Company's unabsorbed tax losses and unabsorbed capital allowances totalling approximately RM16.5 million (2001 : RM15.0 million) are available for set-off against future taxable income.

34. Loss Per Share

The basic loss per ordinary share is calculated based on consolidated loss for the year amounting to RM18,629,167 (2001 : RM50,948,749) and the number of ordinary shares in issue during the financial year of 924,824,378 (2001 : weighted average of 801,376,633) shares.

The diluted earnings per share in 2002 is not disclosed as it is not applicable to the Group.

The diluted earnings per share in 2001 is not disclosed as it is antidilutive.

35. Purchase Of Property, Plant And Equipment

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	8,801	13,066	263	50
Financed by hire-purchase arrangement	(47)	–	–	–
Cash payment on purchase of property, plant and equipment	8,754	13,066	263	50

36. Disposal Of Subsidiary Companies

In 2001, the Group disposed of Focusprint Sendirian Berhad, Labels Specialist Industries Sdn Bhd and Pengkalen Concrete Sdn Bhd. Details of net assets and goodwill disposed, and cash flow arising from the disposal were as follows:-

	Group
	At the Date of Disposal
	2001
	RM'000
Property, plant and equipment	25,292
Deposits, cash and bank balances	5,097
Other current assets	46,967
Bank overdrafts	(1,490)
Short term loans	(1,617)
Other current liabilities	(33,152)
Deferred taxation	(1,627)
Minority interest	(15,455)
Goodwill on consolidation	730
Attributable net assets disposed	24,745
Gain on disposal of investment in subsidiary companies	2,654
Net proceed received	27,399
Less: cash and cash equivalents of subsidiary companies disposed	(3,607)
Cash flow on disposal, net of cash and cash equivalent disposed	23,792

37. Subsidiary Companies Under Winding-Up Not Consolidated

The effects of the non-consolidation of the subsidiary companies mentioned in Note 7.2 (ii) (a) and (b) on the cash flow of the Group are as follows:-

	Group	
	2002	2001
	RM'000	RM'000
Property, plant and equipment	3,975	40
Goodwill on consolidation	–	623
Current assets	29	1,096
Current liabilities	(5,419)	(1,752)
Minority interests	(2)	(5)
Surplus/(Deficit) on subsidiary companies not consolidated	1,220	(831)
Cash flow on subsidiary companies not consolidated	(197)	(829)

38. Cash And Cash Equivalents

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

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Term and call deposits	73,787	103,193	21,922	34,464
Cash and bank balances	8,165	10,169	241	97
Bank overdrafts	(395)	(656)	–	–
	81,557	112,706	22,163	34,561
Less: Deposits pledged to banks	(1,625)	(1,571)	(538)	(518)
	79,932	111,135	21,625	34,043
Less: Dealers and remisiers' deposits maintained as trust monies included in:-				
– cash and bank balances	(1,382)	(306)	–	–
– term and call deposits	(7,167)	(6,979)	–	–
	(8,549)	(7,285)	–	–
	71,383	103,850	21,625	34,043

The weighted average interest rates of term and call deposits that were effective during the financial year were as follows:-

	Group		Company	
	2002	2001	2002	2001
	%	%	%	%
Term and call deposits with licensed banks	3.0	3.3	3.1	3.5
Term and call deposits with other corporations	2.8	3.0	2.8	2.8

Deposits of the Group and of the Company have an average maturity of 30 days (2001 : 30 days). Bank balances are deposits held at call with licensed banks.

39. Financial Instruments

a) Credit risk

As at 31 December 2002, the Group has amounts owing by brokers and clients of RM441,733,166 (included under trade receivables) which have been outstanding for more than the stipulated settlement terms ("Debts"). The carrying amount of these Debts net of allowance for doubtful debts of RM440,304,869 as at 31 December 2002 is RM1,428,297. The term and call deposits, and bank balances of the Group and of the Company are placed with some major financial institutions in Malaysia. Other than as mentioned, the Group and the Company have no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheets.

b) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company as at 31 December 2002 approximate their fair values except as set out below:-

	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Unquoted investments	20,033	*	401	*
Redeemable convertible bond	1,000	859	–	–

* A reasonable estimate of fair value could not be made without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable value. Such investments are valued at cost less provision for diminution in value, if any.

The fair value of the redeemable convertible bond is estimated based on its discounted future cash outflow. The discount rate used in the estimate of discounted future cash outflow is 7% per annum.

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40. Significant Related Party Transactions And Balances

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Significant related party transactions during the year:-				
Sales of air tickets and provision of travel and ancillary services to:-				
Cosmart Sdn Bhd, Corus & Regal Hotels plc,				
EIC Clothing Sdn Bhd, Laura Ashley (North America), Inc, Laura Ashley Holdings plc, Malayan United Management Sdn Bhd, Malayan United Industries Berhad, Metrojaya Berhad, Ming Court Hotel (KL) Sdn Bhd, MJ Reject Shop Sdn Bhd, MJ Somerset Bay Sdn Bhd, Morning Star Travel Service Limited, MUI Continental Insurance Berhad, MUI dotCom Sdn Bhd, MUI Hong Kong Ltd, MUI Media Limited, MUI Properties Berhad, Network Foods (Malaysia) Sdn Bhd, Network Foods Industries Sdn Bhd, Network Foods International Ltd and Pan Malaysia Corporation Berhad	6,661	9,450	–	–

40. Significant Transactions With Related Parties (Cont'd)

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Royalty income received from				
Network Foods Industries Sdn Bhd	483	865	–	–
Term loans from MUI Capital Sdn Bhd	–	70,000	–	–
Rental expenses paid to MUI Plaza Sdn Bhd	1,283	1,067	135	158
Interest expenses paid to MUI Capital Sdn Bhd	4,781	3,806	–	–
Repayment of term loan from MUI Capital Sdn Bhd	4,000	–	–	–
Purchases from Ming Court Hotel (KL) Sdn Bhd	630	911	8	11

The related party transactions were entered in the normal course of business and were on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

As the end of the financial year, the amount owing to MUI Capital Sdn Bhd in respect of the term loans amounted to RM66 million (2001 : RM70 million).

The relationships between the Group and related parties, other than disclosed elsewhere in the financial statements, are as follows:-

Identities of Related Parties

Relationships with the Group

Corus & Regal Hotels plc	}	
Malayan United Management Sdn Bhd	}	
Ming Court Hotel (KL) Sdn Bhd	}	
MUI Capital Sdn Bhd	}	
MUI Continental Insurance Berhad	}	
MUI dotCom Sdn Bhd	}	
MUI Media Limited	}	
MUI Plaza Sdn Bhd	}	
MUI Properties Berhad	}	
Network Foods (Malaysia) Sdn Bhd	}	
Network Foods Industries Sdn Bhd	}	
Network Foods International Ltd	}	
Pan Malaysia Corporation Berhad	}	
Laura Ashley (North America), Inc	}	
Laura Ashley Holdings plc	}	
Morning Star Travel Service Limited	}	
MUI Hong Kong Ltd	}	
Cosmart Sdn Bhd	}	
EIC Clothing Sdn Bhd	}	
Metrojaya Berhad	}	
MJ Reject Shop Sdn Bhd	}	
MJ Somerset Bay Sdn Bhd	}	
		Subsidiary companies of the ultimate holding company
		Associated companies of the ultimate holding company
		Subsidiary companies of Pan Malaysian Industries Berhad, a deemed major shareholder of the Company

41. Contingent Liabilities

Group and Company

(i) Unsecured

- (a) On 13 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 defence to the petition.

- (b) A suit was filed on 17 May 1996 in the High Court of Kuala Lumpur by Loyal Design Sdn Bhd ("LDSB"), a wholly-owned subsidiary of Malayan United Industries Berhad ("MUI"), against the Company and all its then existing directors for breach of directors' duties in conducting the affairs of the Company during the period involved with the takeover offer by MUI through LDSB in respect of the Company. The suit also seek to declare, inter-alia, that various options granted by the Company under the Company's Executive Share Option Scheme are void.

The case has now been fixed for further case management on 2 July 2003. The Company's solicitors are of the opinion, based on the documents available, that LDSB's chance of success on the claim is good.

- (c) As at 31 December 2002, the contingent liabilities in respect of the corporate guarantees given by the Group for banking facilities granted to unconsolidated and former subsidiary companies were Nil (2001 : RM2 million).

- (d) As at 31 December 2002, the contingent liabilities in respect of the corporate guarantees given by the Company for banking facilities granted to subsidiary companies were RM15 million (2001 : RM13 million).

(ii) Secured

A term and call deposit of RM537,705 (2001 : RM517,956) of the Company has been pledged to a licensed bank to secure the banking facility of a subsidiary company.

42. Capital Commitment

	2002 RM'000	<i>Group</i> 2001 <i>RM'000</i>
Authorised and contracted but not provided for:-		
– purchase of property, plant and equipment	1,715	8,180

43. Segment Information

The Group's operations comprised of the following main business segments:-

Stockbroking	:	Comprise mainly businesses involved in stock and sharebroking, corporate advisory services, options and financial futures broker, research and fund management services, nominee and custodian services
Hotel	:	Operating of a hotel
Travel	:	Travel agent and provision of travel-related services
Licensing of trademarks	:	Ownership and licensing of trademarks
Property and investment holding	:	Comprise mainly investment, property holding, dormant and inactive subsidiary companies

43. Segment Information (Cont'd)

Discontinued operations

- Labels, packaging and printing : Comprise mainly manufacturing and sale of self-adhesive sticker labels, carton boxes, general packaging products and printing press
- Pre-mixed concrete : Comprise mainly manufacturing and dealing in cement, pre-mixed concrete and builders' requisite
- Building materials : Comprise mainly trading in building materials

The inter-segment transactions were entered in the normal course of business and were on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(a) Business segment

					<i>Property and Licensing of Investment Trademarks Holding</i>		
	<i>Stockbroking</i>	<i>Hotel</i>	<i>Travel</i>	<i>Trademarks</i>	<i>Holding</i>	<i>Elimination</i>	<i>Consolidated</i>
2002	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Revenue							
– external sales	16,695	6,722	31,315	483	924	–	56,139
– inter-segment sales	40	387	8	–	544	(979)	–
Total revenue	16,735	7,109	31,323	483	1,468	(979)	56,139
Result							
Segment result	(6,201)	(10)	73	191	(5,565)		(11,512)
Interest income	1,144	94	4	–	23		1,265
Interest expense	(4,758)	(1,671)	(65)	–	(5,395)		(11,889)
Surplus arising from subsidiary companies not consolidated	–	–	–	–	1,220		1,220
Gain on assignment of debts	–	–	–	–	1,917		1,917
Interest waived on debts	–	735	22	–	–		757
Loss before taxation							(18,242)
Taxation							(380)
Loss after taxation							(18,622)
Minority interests							(7)
Net loss for the financial year							(18,629)
Other Information							
Segment assets	275,950	44,351	4,718	169	75,168		400,356
Segment liabilities	96,520	20,761	3,898	53	80,905		202,137
Unallocated corporate liabilities							1,550
Consolidated total liabilities							203,687
Capital expenditure	8,062	365	2	–	372		8,801
Depreciation and amortisation	3,383	1,089	26	–	903		5,401

43. Segment Information (Cont'd)

2001

	Stockbroking RM'000	Hotel RM'000	Travel RM'000	Licensing of Trademarks RM'000	Discontinued Operations			Property and Investment Holding RM'000	Elimination Consolidated RM'000	RM'000
					Packaging and Printing RM'000	Pre-mixed Concrete RM'000	Building Materials RM'000			
Revenue										
– external sales	7,452	6,723	31,494	865	14,854	8,053	5,091	1,105	–	75,637
– inter-segment sales	–	666	8	–	78	–	1,555	1,372	(3,679)	–
Total revenue	7,452	7,389	31,502	865	14,932	8,053	6,646	2,477	(3,679)	75,637
Result										
Segment result	(41,242)	1,720	297	533	438	(1,177)	(458)	(2,929)		(42,818)
Interest income	2,233	65	5	–	95	–	25	26		2,449
Interest expense	(3,781)	(1,677)	(93)	–	(82)	(239)	–	(4,983)		(10,855)
Deficit arising from subsidiary companies not consolidated	–	–	–	–	–	–	(764)	(67)		(831)
Gain on disposal of investment in subsidiary companies	–	–	–	–	2,553	101	–	–		2,654
Loss before taxation										(49,401)
Taxation										(790)
Loss after taxation										(50,191)
Minority interests										(758)
Net loss for the financial year										(50,949)
Other Information										
Segment assets	292,779	46,844	3,297	5	–	–	–	92,265		435,190
Segment liabilities	102,993	25,886	2,443	61	–	–	–	75,315		206,698
Unallocated corporate liabilities										1,938
Consolidated total liabilities										208,636
Capital expenditure (property, plant, equipment and intangible assets)	155,007	2,010	6	–	7	11	–	62		157,103
Depreciation and amortisation	2,524	1,210	25	–	1,340	393	32	1,574		7,098
Impairment loss of property, plant and equipment	5,032	–	–	–	–	–	–	487		5,519
Provision for diminution in value of investments	42,628	–	–	–	–	–	–	152		42,780

43. Segment Information (Cont'd)

b) Geographical segments

As the Group's operation is predominantly in Malaysia, no segmental information is presented on geographical segments.

44. Significant Events

(i) Schemes of Arrangement

The schemes of arrangement of the Company and certain of its subsidiary companies ("Scheme"), which were implemented on 29 December 1999 have been completed except for settlement with three scheme creditors.

As at 29 December 2001, a total of up to 5,184,238 irredeemable convertible preference shares ("ICPS") could not be issued by the Company to two scheme creditors to settle the indebtedness due to them pursuant to the Scheme. This is because they had either not provided to the Company within the relevant time frame the relevant Central Depository System details required for the allotment and issue of the ICPS or had not finalised and submitted their claim on the amount of indebtedness. It remains the intention of the Company to settle all indebtedness pursuant to the Scheme and as such, the Directors proposed the direct issuance of up to 5,184,238 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share to these two scheme creditors in substitution of the issuance of up to 5,184,238 ICPS of the Company as proposed earlier in the Scheme ("Proposed Share Issue"). The Securities Commission ("SC") has on 23 October 2002 approved the Proposed Share Issue.

(ii) Special Issue to Bumiputera Investors

In respect of the Company's 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 ("Special Issue") to be approved by the Ministry of International Trade and Industry, the SC on 6 September 2002, approved a final extension to 30 June 2003 for the Company to implement the Special Issue subject to the Company's obtaining the approval from the Foreign Investment Committee ("FIC") to extend the period to implement the Special Issue to 30 June 2003. Upon the Company's application for the said extension, the FIC approved an extension to 31 December 2003 for the Company to implement the Special Issue.

(iii) Private Placement to Bumiputera Investors

On 4 July 2002, the SC approved a final extension of 12 months to 30 June 2003 for PM Capital to implement the private placement to Bumiputera investors of up to 25,308,713 new ordinary shares of RM1.00 each representing approximately 10% of the issued and paid-up ordinary share capital of PM Capital, at an issue price of up to 15% discount based on the 5-day weighted average market price of the ordinary shares on a date to be determined later, subject to a minimum of the par value of RM1.00 per share.

44. Significant Events (Cont'd)

(iv) Continuing Exercise to Divest and Wind-up Non-Core Businesses

Fibercorp (Sarawak) Sdn Bhd and Cocoa Specialities (Malaysia) Sdn Bhd were placed under members' voluntary winding-up on 9 January 2002 and creditors' voluntary winding-up on 28 June 2002 respectively. The winding-up of these dormant and inactive subsidiary companies has resulted in a surplus of approximately RM1.22 million to the Group.

(v) Universal Broker Status for PM Securities Sdn Bhd ("PM Securities")

On 11 June 2002, the SC approved PM Securities to operate as a Universal Broker subject to the conditions set out in the Dealer's licence that was issued to PM Securities. With this approval, PM Securities is now able to offer clients a more comprehensive scope of services which would include corporate advisory services, asset management and trading in derivatives.

During the financial year, PM Securities has opened four new branches in Penang, Johor Bahru, Melaka and Klang and an Electronic Access Facility in Jelebu, Negeri Sembilan.

(vi) Other Corporate Developments

- (a) The SC has on 4 July 2000 approved the utilisation of RM25.92 million being part of the Company's rights issue proceeds to acquire ICPS in PM Capital from the open market. The Company has utilised fully the said RM25.92 million to acquire 80,627,000 ICPS in PM Capital.
- (b) On 7 January 2002, the Company purchased 71,000 ordinary shares of RM1.00 each of PM Capital from the open market for a consideration of RM43,896 which was funded by internal funds. The Company's interest in the total issued and paid up ordinary shares capital of PM Capital has increased accordingly from 73.86% to 73.89%.
- (c) The agreement with Lai Sun Development Company Limited ("Lai Sun") for the acquisition of 800,000 ordinary shares of RM1.00 each representing 10% of the total issued and paid-up share capital of Pengkalen Holiday Resort Sdn Bhd ("PHR") from Lai Sun for a cash consideration of RM1.00 and the acceptance by the Company of the assignment of RM2.47 million debt owing to Lai Sun by PHR after interest waived of RM0.73 million for a cash consideration of RM0.55 million was completed on 2 April 2002. PHR is now a wholly-owned subsidiary of the Company. The said completion has resulted in a gain of RM1.92 million and RM2.65 million to the Company and Group respectively.
- (d) On 10 May 2002 and 2 October 2002 respectively, Pan Malaysia Equities Sdn Bhd has redeemed from PM Securities its 10,637,588 and 2,000,000 of its redeemable non-convertible preference shares of RM1.00 each by cash.
- (e) On 26 September 2002, Pan Malaysia Travel & Tours Sdn Bhd ("PMTT"), a 80% owned subsidiary of the Company has acquired two (2) ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Destiny Aims Sdn Bhd ("DASB") for cash consideration of RM2.00, resulting in DASB becoming a wholly-owned subsidiary of PMTT.

44. Significant Events (Cont'd)

- (f) Following the distribution of assets of GCIH (Singapore) Pte Ltd, a 64.82% owned subsidiary company of GCIH Property Limited ("GCIH Property"), which in turn is a 84.12% owned subsidiary company of the Group, the entire share capitals of Anglo Pacific Corporation (Malaysia) Sdn Bhd and Upali Group Sdn Bhd have been transferred to GCIH Property on 23 July 2002. Consequently, these companies become wholly-owned subsidiaries of GCIH Property.
- (g) Subsequent to the holding of their final meetings on 26 July 2002 and the lodgement by their liquidator of the returns of holding of the final meetings ("Form 69") on 31 July 2002, the following subsidiary companies which were under voluntary winding-up were dissolved on 1 November 2002 pursuant to Section 272(5) of the Companies Act, 1965:-
 - 1. Buana Mewah Sdn Bhd
 - 2. Fibercorp (Sarawak) Sdn Bhd
 - 3. Fiberoptik (Sabah) Sdn Bhd
 - 4. GCIH (Malaysia) Sdn Bhd
 - 5. Giatjaya Enterprise Sdn Bhd
 - 6. Kejora Etika Sdn Bhd
 - 7. Pengkalen Comtec Sdn Bhd
 - 8. Pengkalen HB Property Services Sdn Bhd
 - 9. Pengkalen Hill Resort Sdn Bhd
 - 10. Serba Sinar Sdn Bhd
 - 11. Tenamaju Sdn Bhd
- (h) Subsequent to the final meeting of Pengkalen (Hong Kong) Limited ("PHK") and the lodgement by the liquidator to the Registrar of Companies of Hong Kong Special Administrative Region for registration the return of holding the final meeting pursuant to Section 239(3) of the Companies Ordinance (Chapter 32) of the Laws of Hong Kong on 25 September 2002, PHK was dissolved on 26 December 2002 pursuant to Section 239(4) of the Companies Ordinance (Chapter 32).

45. Subsequent Events

- (i) Consequent to the winding-up order made by the Hong Kong High Court against Grand Union General and Motor Insurance Co. Ltd ("GUG") on 12 December 1990, GUG has been dissolved on 23 January 2003 pursuant to Section 226A(2) of the Companies Ordinance (Chapter 32) of the Laws of Hong Kong.
- (ii) On 20 February 2003, PM Securities opened an Electronic Access Facility in Batu Pahat, Johor.

46. Subsidiary And Associated Companies

Subsidiary and Associated Companies of Pan Malaysia Holdings Berhad

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Principal Activities</i>	<i>Country of Incorporation</i>
	<i>2002</i>	<i>2001</i>		
	<i>%</i>	<i>%</i>		
1. Destiny Aims Sdn Bhd (a wholly-owned subsidiary company of Pan Malaysia Travel & Tours Sdn Bhd)	80	–	Dormant	Malaysia
+ 2. Golden Carps Pte Ltd	100	100	Inactive	Singapore
+ 3. Grandvestment Company Limited	100	100	Investment holding	Hong Kong
4. Kayangan Makmur Sdn Bhd	100	100	Investment holding	Malaysia
5. Pan Malaysia Capital Berhad	73.89	73.86	Investment holding	Malaysia
+ 6. Pengkalen Company Limited	100	100	Dormant	United Kingdom
7. Pengkalen Equities Sdn Bhd	100	100	Investment holding and dealing	Malaysia
8. Pengkalen Foodservices Sdn Bhd	100	100	Inactive	Malaysia
9. Pengkalen Holiday Resort Sdn Bhd	100	90	Operating a hotel	Malaysia
10. Pengkalen Properties Sdn Bhd	100	100	Inactive	Malaysia
11. Pan Malaysia Travel & Tours Sdn Bhd	80	80	Travel agent & provision of travel-related services	Malaysia
+ 12. Pengkalen (UK) Plc	84.12	84.12	Investment holding	United Kingdom
13. Twin Phoenix Sdn Bhd	100	100	Dormant	Malaysia
<i>Associated Company</i>	<i>Equity Interest</i>		<i>Principal Activities</i>	<i>Country of Incorporation</i>
	<i>2002</i>	<i>2001</i>		
	<i>%</i>	<i>%</i>		
* 1. Excelpac Industries Sdn Bhd (a 25% associated company of Pan Malaysia Travel & Tours Sdn Bhd)	20	20	Inactive	Malaysia

46. Subsidiary And Associated Companies (Cont'd)

Subsidiary Companies of Pan Malaysia Capital Berhad

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Principal Activities</i>	<i>Country of Incorporation</i>
	<i>2002</i>	<i>2001</i>		
	<i>%</i>	<i>%</i>		
1. Bayan Niaga Sdn Bhd	100	100	Inactive	Malaysia
2. KESB Nominees (Asing) Sdn Bhd	99.99	99.99	Dormant	Malaysia
3. KESB Nominees (Tempatan) Sdn Bhd	99.99	99.99	Nominee & custodian services	Malaysia
4. Meridian Nominees (Tempatan) Sdn Bhd	99.99	99.99	Share registration, nominee & share custodian services	Malaysia
5. Pan Malaysia Equities Sdn Bhd	99.99	99.99	Property & investment holding	Malaysia
6. PCB Asset Management Sdn Bhd	100	100	Research & fund management services	Malaysia
7. PM Asset Management Sdn Bhd (formerly known as Kimara Asset Management Sdn Bhd)	100	100	Investment holding	Malaysia
8. PM Nominees (Asing) Sdn Bhd (formerly known as Pengkalen Nominees (Asing) Sdn Bhd)	99.99	99.99	Nominee & custodian services	Malaysia
9. PM Nominees (Tempatan) Sdn Bhd (formerly known as Pengkalen Nominees (Tempatan) Sdn Bhd)	99.99	99.99	Nominee & custodian services	Malaysia
10. PM Options & Futures Sdn Bhd (formerly known as Pengkalen Options & Futures Sdn Bhd)	100	100	Options & financial futures broker	Malaysia
11. PM Securities Sdn Bhd	99.99	99.99	Stock and sharebroking and corporate advisory services	Malaysia

Subsidiary and Associated Companies of Pengkalen (UK) Plc

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Principal Activities</i>	<i>Country of Incorporation</i>
	<i>2002</i>	<i>2001</i>		
	<i>%</i>	<i>%</i>		
< 1. Anglo Pacific Corporation (Malaysia) Sdn Bhd	100	64.82	Investment holding	Malaysia
2. Anglo Pacific Holdings (Malaysia) Sdn Bhd	100	100	Investment holding	Malaysia

46. Subsidiary And Associated Companies (Cont'd)

Subsidiary and Associated Companies of Pengkalen (UK) Plc (Cont'd)

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Principal Activities</i>	<i>Country of Incorporation</i>
	<i>2002</i>	<i>2001</i>		
	<i>%</i>	<i>%</i>		
* 3. Aqua Lanka (Private) Limited	100	100	Dormant	Sri Lanka
+ 4. Central Cocoa Pte Ltd	100	100	Dormant	Singapore
+ 5. GCIH Property Limited	100	100	Investment holding	Hong Kong
>+ 6. GCIH Trademarks Limited	100	100	Licensing of trademarks	Hong Kong
* 7. Grand Central (Ceylon) Rubber Estates, Limited	100	100	Dormant	United Kingdom
* 8. Grand Central Limited	100	100	Dormant	Sri Lanka
* 9. Highland Tea Company of Ceylon, Limited	100	100	Dormant	United Kingdom
# 10. Kuril Plantations Sdn Berhad	100	64.82	Inactive	Malaysia
+ 11. Meltis Holdings Limited	84	84	Investment holding	United Kingdom
* 12. Nagolle Holdings Limited	100	100	Dormant	United Kingdom
* 13. Nagolle (Ceylon) Rubber and Tea Plantations, Limited	100	100	Dormant	United Kingdom
* 14. Network Foods International Limited	100	100	Dormant	United Kingdom
* 15. The Panawatte Tea and Rubber Estates, Limited	100	100	Dormant	United Kingdom
* 16. The Yatiyantota Ceylon Rubber Company Limited	100	100	Dormant	United Kingdom
< 17. Upali Group Sdn Bhd	100	64.82	Dormant	Malaysia
+ 18. Wellon Distribution Pte Ltd	100	100	Dormant	Singapore
<i>Associated Company</i>	<i>Equity Interest</i>		<i>Principal Activities</i>	<i>Country of Incorporation</i>
	<i>2002</i>	<i>2001</i>		
	<i>%</i>	<i>%</i>		
1. Desa Kuril Sdn Berhad	50	32.41	Dormant	Malaysia

Subsidiary and Associated Companies of Pan Malaysia Holdings Berhad which are in liquidation

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Country of Incorporation</i>
	<i>2002</i>	<i>2001</i>	
	<i>%</i>	<i>%</i>	
1. Asia Entertainment Network Sdn Bhd	60	60	Malaysia
# 2. Cocoa Specialities (Malaysia) Sdn Bhd	84.12	54.53	Malaysia
3. GCIH (Singapore) Pte Ltd	54.53	54.53	Singapore
4. Grand Union General and Motor Insurance Company Limited	55	55	Hong Kong
5. Grand Union Insurance Company Limited	55	55	Hong Kong

46. Subsidiary And Associated Companies (Cont'd)

Subsidiary and Associated Companies of Pan Malaysia Holdings Berhad which are in liquidation

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Country of Incorporation</i>
	<i>2002</i>	<i>2001</i>	
	<i>%</i>	<i>%</i>	
6. Heng's Food & Beverage Industries Pte Ltd	84.12	84.12	Singapore
7. Office Business Systems (Malacca) Sdn Bhd	41.67	41.67	Malaysia
8. Office Business Systems (Penang) Sdn Bhd	64.10	64.10	Malaysia
9. Office Business Systems Sdn Bhd	64.10	64.10	Malaysia
10. Pengkalen Building Materials Sdn Bhd	100	100	Malaysia
11. Pengkalen Electronics Industries Sdn Bhd	67	67	Malaysia
12. Pengkalen Engineering & Construction Sdn Bhd	100	100	Malaysia
13. Pengkalen Heights Sdn Bhd	70	70	Malaysia
14. Pengkalen Pasar Borong Sdn Bhd	80	80	Malaysia
15. Pengkalen Raya Sdn Bhd	100	100	Malaysia
16. Sensor Equipment Sdn Bhd	64.10	64.10	Malaysia
17. Technitone (M) Sdn Bhd	64.10	64.10	Malaysia
18. Welland Investment Pte Ltd	84.12	84.12	Singapore

<i>Associated Company</i>	<i>Equity Interest</i>		<i>Country of Incorporation</i>
	<i>2002</i>	<i>2001</i>	
	<i>%</i>	<i>%</i>	
1. Pufrut Preserving Works (Malaysia) Sdn Bhd	42.06	42.06	Malaysia
2. Schwartau (Far East) Sdn Bhd	42.06	42.06	Malaysia

+ Subsidiary companies audited by overseas member firms associated with BDO Binder, Malaysia.

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

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

< These companies became wholly-owned subsidiary companies of GCIH Property Limited ("GCIH Property") on 23 July 2002 as disclosed in Note 44(vi)(f) to the financial statements.

These companies are subsidiary companies of Anglo Pacific Corporation (Malaysia) Sdn Bhd ("APC"). Upon APC becoming a wholly-owned subsidiary of GCIH Property on 23 July 2002, the equity interest in Kuril Plantations Sdn Berhad and Cocoa Specilities (Malaysia) Sdn Bhd have increased accordingly.

47. Number Of Employees And Staff Costs

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Number of employees including executive directors at the end of the financial year	387	321	25	26

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Staff costs for the financial year	11,716	10,077	1,115	1,133

48. Authorisation For Issue Of Financial Statements

These financial statements were authorised for issue by the Board of Directors on 25 April 2003.

Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 29 to 75 have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of:-

- (i) the state of affairs of the Group and of the Company as at 31 December 2002 and of their results for the financial year then ended; and
- (ii) the cash flows of the Group and of the Company for the financial year ended 31 December 2002.

On behalf of the Board

Khet Kok Yin
Director

Dato' Choong Kok Min
Director

Kuala Lumpur
25 April 2003

Statutory Declaration

I, Lum Seng Yip, being the officer primarily responsible for the financial management of Pan Malaysia Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 75 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 25 April 2003.

Lum Seng Yip

Before me

Robert Lim Hock Kee
No. W092
Commissioner for Oaths
Kuala Lumpur

Report Of The Auditors

We have audited the financial statements set out on pages 29 to 75. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion:-

- (a) the financial statements have been properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2002 and of their results and cash flows 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 are properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as disclosed in Note 46 to the financial statements, being financial statements that are included in the consolidated financial statements.

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

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

BDO Binder

AF : 0206

Chartered Accountants

Tan Kim Leong, JP

235/06/03(J/PH)

Partner

Kuala Lumpur

25 April 2003

Analysis Of Shareholding

As at 24 April 2003

Class of Shares : Ordinary share of RM1.00 each

Voting Rights : 1 vote per ordinary share

Substantial Shareholders as per Register of Substantial Shareholders

Name	No. of Shares held			
	Direct	%	Deemed	%
Pan Malaysian Industries Berhad	–	–	588,109,498	63.59
Tan Sri Dato' Dr Khoo Kay Peng	–	–	588,109,498	63.59
Malayan United Industries Berhad	–	–	587,476,761	63.52
Loyal Design Sdn Bhd	358,496,163	38.76	–	–
MUI Media Ltd	83,417,208	9.02	–	–
Megawise Sdn Bhd	82,749,507	8.95	–	–
Pan Malaysia Corporation Berhad	–	–	82,749,507	8.95
MUI Capital Sdn Bhd	62,699,810	6.78	–	–

Directors' Shareholdings as per Register of Directors' Shareholdings

In the Company	Name	No. of Shares held			
		Direct	%	Indirect	%
	Dato' Choong Kok Min ^{*1}	1,342,000	0.15	20,311,332	2.20
	Dato' Abdul Aziz bin Ahmad	–	–	10,000	negligible

^{*1}Dato' Choong Kok Min has purportedly been granted option 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. The case has been fixed for further case management on 2 July 2003.

In Related Companies	Name	No. of Shares held			
		Direct	%	Indirect	%
Pan Malaysia Capital Berhad	Dato' Choong Kok Min	30,000	0.01	3,166,500	1.25
Malayan United Industries Berhad	Dato' Choong Kok Min	1,150,000	0.06	–	–
	Yong Ming Sang	1,981,800	0.10	549,640	0.03
	Dato' Seri Dr Ting Chew Peh	–	–	10,000	negligible
MUI Properties Berhad	Dato' Choong Kok Min	5,000	negligible	–	–
Pan Malaysia Corporation Berhad	Dato' Rastam bin Abdul Hadi	–	–	1,104,000	0.15

			<i>No. of ICPS*2 held</i>		
	<i>Name</i>	<i>Direct</i>	<i>%</i>	<i>Indirect</i>	<i>%</i>
Pan Malaysia Capital Berhad	Dato' Choong Kok Min	160,000	0.03	–	–

^{*2}Irredeemable Convertible Preference Shares of RM1.00 each in the capital of Pan Malaysia Capital Berhad.

Distribution of Shareholders

Category	No. of Shareholders	%	No. of Shares	%
Less than 1,000 shares	674	6.48	306,676	0.03
1,000 – 10,000 shares	8,430	81.03	29,325,453	3.17
10,001 – 100,000 shares	1,156	11.11	31,872,614	3.45
100,001 to less than 5% of issued shares	137	1.32	208,113,426	22.50
5% and above of issued shares	6	0.06	655,206,209	70.85
Total	10,403	100.00	924,824,378	100.00

Thirty (30) Largest Securities Accounts Holders

	Name	No. of Shares	%
1.	Loyal Design Sdn Bhd	299,672,633	32.40
2.	MUI Media Ltd	83,417,208	9.02
3.	Megawise Sdn Bhd	82,749,507	8.95
4.	Malayan Banking Berhad	67,843,521	7.34
5.	MUI Capital Sdn Bhd	62,699,810	6.78
6.	Alliancegroup Nominees (Tempatan) Sdn Bhd	58,823,530	6.36
	- Pledged Securities Account for Loyal Design Sdn Bhd		
7.	Merchant Nominees (Tempatan) Sendirian Berhad	23,500,000	2.54
	- Pledged Securities Account for Affin Merchant Bank Berhad		
8.	Arab-Malaysian Credit Berhad	22,845,416	2.47
9.	Citibank Berhad	21,062,948	2.28
10.	U.B. Nominees (Tempatan) Sdn Bhd	20,926,132	2.26
	- Bank Utama (Malaysia) Bhd		
11.	Komin Holdings Sdn Bhd	20,311,332	2.20
12.	Kenanga Nominees (Tempatan) Sdn Bhd	13,554,211	1.47
	- Danaharta Urus Sdn Bhd		
13.	Aseam Malaysia Nominees (Tempatan) Sdn Bhd	10,760,224	1.16
	- Aseambankers Malaysia Berhad (A/C Three)		
14.	Amsec Nominees (Tempatan) Sdn Bhd	7,153,028	0.77
	- AMBANK Berhad		
15.	Bank Kerjasama Rakyat Malaysia Berhad	5,903,034	0.64
16.	Multi-Purpose Credit Sdn Bhd	5,900,758	0.64
17.	Danaharta Managers Sdn Bhd	5,673,118	0.61
18.	PAB Nominee (Tempatan) Sdn Bhd	4,994,215	0.54
	- Affin Bank Berhad (Loan Recovery)		
19.	EB Nominees (Tempatan) Sendirian Berhad	3,323,002	0.36
	- EON Bank Berhad		
20.	Newest Sdn Bhd (In Creditors' Voluntary Liquidation)	2,790,000	0.30
21.	Bumiputra-Commerce Bank Berhad	2,324,247	0.25
22.	Mayban Securities Nominees (Tempatan) Sdn Bhd	2,204,812	0.24
	- Aseam Credit Sdn Bhd for Pan Malaysia Holdings Berhad		
23.	Bank Kerjasama Rakyat Malaysia Berhad	1,985,751	0.21
24.	RHB Capital Nominees (Tempatan) Sdn Bhd	1,864,593	0.20
	- RHB Bank Berhad (RMB Investment)		
25.	Public Bank Berhad	1,121,096	0.12
26.	Wong Mook Leong	1,000,000	0.11
27.	Teh Chin Soon	930,000	0.10
28.	Christopher Ooi Thong Khin	913,000	0.10
29.	Low Yiew Fook	862,000	0.09
30.	Peh Teck Quee	751,769	0.08
	Total	837,860,895	90.59

Properties Owned By The Group

As at 31 December 2002

<i>Location</i>	<i>Description</i>	<i>Usage</i>	<i>Tenure Expiry Year</i>	<i>Approximate Area Sq. Metres</i>	<i>Approximate Age of the Building No. of Years</i>	<i>Net Book Value RM'000</i>	<i>Date of Acquisition/ Last Revaluation</i>
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	Vacant	Freehold	2,459	17	32,566	18.10.1993
KL Court Penthouse Rooftop K.L. Plaza Jalan Bukit Bintang, 55100 Kuala Lumpur	1 unit of freehold apartment	Vacant	Freehold	1,051	16	1,325	01.01.1999
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	11	196	18.08.1992
Lot No. 4666, Mukim of Kapar, District of Klang, Selangor Darul Ehsan	1 lot of freehold agricultural land	Vacant	Freehold	5,815	–	93	03.08.1983
Lot Nos. 31622 and 31623 Nos. 18 and 20, Jalan Tiara 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan	2 contiguous Units of 4- storey shop/office buildings	Office	Leasehold 2096	306	8	2,714	09.05.2002
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	18	193	28.08.1993
Lots 286, 288 & 289, PT5855 3 ½ km, Jalan Pantai, Port Dickson, Negeri Sembilan Darul Khusus	4 lots of leasehold land with a 10-storey resort hotel	Hotel	Leasehold 2059/2087	55,745	7	35,160	1993

As at 31 December 2002

<i>Location</i>	<i>Description</i>	<i>Usage</i>	<i>Tenure Expiry Year</i>	<i>Approximate Area Sq. Metres</i>	<i>Approximate Age of the Building No. of Years</i>	<i>Net Book Value RM'000</i>	<i>Date of Acquisition/ Last Revaluation</i>
State of Negeri SembilanDarulKhusus							
Lot No. 926 No. 18, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus	1 lot of freehold land with a 4-storey shop-office	Office	Freehold	177	3	924	26.07.2001
Lot No. 1371 Nos. 19, 20 & 21 Jalan Kong Sang, 70000 Seremban, Negeri Sembilan Darul Khusus	1 lot of freehold land with a 4-storey office building	Office	Freehold	474	13	2776	26.07.2001
Lot No. 930 No. 22, Jalan Kong Sang, 70000 Seremban, Negeri Sembilan Darul Khusus	1 lot of freehold land with a 2-storey shophouse	Office	Freehold	177	Pre-war	596	26.07.2001
State of Pahang Darul Makmur							
HS10468 PT11291, Bentong, Pahang Darul Makmur	1 lot of freehold bungalow land	Vacant	Freehold	1,115	–	180	06.03.1992
Lot 301, Di Simpang, Jalan Beserah & Jalan Telok Sisek, Kuantan Pahang Darul Makmur	1 lot of freehold land	Vacant	Freehold	10,825	–	3,300	16.07.1991
UNITEDKINGDOM							
Flat 53, 5th Floor, Park Mansion, 141-149, Knightsbridge, London	1 unit of leasehold apartment	Vacant	Leasehold 2252	111	9	1,064	30.09.1994

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Form Of Proxy

No. of Shares Held

I/We _____ NRIC No. _____
of _____ Tel. No. _____
being a member of PAN MALAYSIA 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 Twentieth Annual General Meeting of the Company to be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 26 June 2003 at 9.00 a.m. and at any adjournment thereof.

My/Our Proxy is to vote as indicated below:-

Resolutions	For	Against
1. To receive the audited financial statements for the financial year ended 31 December 2002 and the Report of the Directors and Auditors thereon.		
2. To approve Directors' fees of RM36,000.00.		
3. To re-appoint Dato' Abdul Aziz bin Ahmad as Director.		
4. To re-appoint Dato' Rastam bin Abdul Hadi as Director.		
5. To re-appoint Mr Yong Ming Sang as Director.		
6. To re-elect Dato' Choong Kok Min as Director.		
7. To re-appoint Messrs BDO Binder as auditors of the Company and to authorise 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.

Signature

Signed this _____ day of _____ 2003.

Seal

Notes:-

1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but if he is not a member, he must be a qualified legal practitioner, approved company auditor, a person approved by the Registrar of Companies in the particular case or a person approved by the Directors prior to the appointment.
2. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint one proxy only in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member, other than an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The Form of Proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of the attorney.
4. The Form of Proxy must be deposited at the registered office of the Company at 14th Floor, MRL Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Stamp

The Company Secretary
Pan Malaysia Holdings Berhad
14th Floor, MUI Plaza
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia
