



ARUS MURNI CORPORATION BERHAD (19727-P)

Annual Report

1999

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting of Arus Murni Corporation Berhad will be held at the East VIP Lounge, First Floor, Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Monday, 21 May, 2001 at 9.30 a.m. to transact the following business:-

AGENDA

Ordinary Business

1. To receive and adopt the Audited Accounts for the year ended 31 December, 1999 and the reports of the Directors and Auditors thereon. *(Resolution 1)*
2. (a) To re-elect the following Directors retiring in accordance with **Article 78** of the Company's Articles of Association:-
 - (i) Dato' Shamsir bin Omar *(Resolution 2)*
 - (ii) Y.M. Tunku Mu'tamir bin Tunku Tan Sri Mohamed *(Resolution 3)*
- (b) To re-elect Datuk Lim Teow Jin who retires as Director in accordance with **Article 85** of the Company's Articles of Association and, being eligible, offers himself for re-election. *(Resolution 4)*
3. To re-appoint Messrs Arthur Andersen & Co as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Resolution 5)*
4. To transact any other business for which due notice has been given.

BY ORDER OF THE BOARD

YEAP KOK LEONG (MAICSA NO. 0862549)
Secretary

KUALA LUMPUR
3 May 2001

NOTES:

1. *A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.*
2. *Proxy form duly completed must be deposited with the Company's Share Registrar, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Shamsir bin Omar
Chairman

Hamzah bin Harun
Managing Director

Muhammed bin Abdul Rahman
Executive Director

Tan Lam Fatt
Director

Y.M. Tunku Mu'tamir bin Tunku Tan Sri Mohamed
Director

Abu Bakar bin Hashim
Director

Tan Poh Choon
Director

Datuk Lim Teow Jin
Director

COMPANY SECRETARY

Yeap Kok Leong (MAICSA 0862549)

REGISTERED OFFICE

20th Floor,
Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-40439411

AUDITORS

Arthur Andersen & Co
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

LISTINGS

Kuala Lumpur Stock Exchange

REGISTRARS

Tenaga Koperat Sdn Bhd
20th Floor,
Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-40416522

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Arus Murni Corporation Berhad, I am pleased to present the Annual Report and Accounts of the Group and of the Company for the year ended 31 December 1999.

FINANCIAL RESULTS

In view of the continuing improvement in the current economy of the country, the Group posted an operating loss before taxation of RM75.89 million for the year ended 31 December 1999 as compared with an operating loss before taxation of RM329.41 million the previous year. The better performance for the year as compared to previous year was due to lower provision for doubtful debts and non-performing loans in the wholly owned subsidiary, Kewangan Bersatu Berhad ("KBB").

DIVIDEND

The Board of Directors has decided not to propose any dividend for the financial year ended 31 December 1999.

CORPORATE DEVELOPMENT

The Company entered into two conditional Sale and Purchase Agreements to acquire the entire issued and paid-up share capital of two investments holding companies involved in the operations of an inland port and an ancillary property development as well as forestry sectors. On 16 November 2000, The Securities Commission rejected the Company's application.

In January 1999, Bank Negara Malaysia assumed control of the business and affairs of KBB pursuant to the Banking and Financial Institutions (Kewangan Bersatu Berhad) (Assumption of Control) Order 1998.

FUTURE PROSPECT

The Group will continue to focus on investment opportunities to expand the earning base of the Group. The Board reckons that the Group is well positioned to explore new opportunities with improvement in the Malaysian economy. Barring any unforeseen circumstances, the Group expects to improve its operating results in the future.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere appreciation to fellow colleagues on the Board for their invaluable service as well as the management and staff for their contribution and commitment. I also wish to thank the shareholders for their continued support.

DATO' SHAMSIR BIN OMAR

Chairman

Kuala Lumpur
27 April 2001

AUDIT COMMITTEE

CHAIRMAN

Abu Bakar bin Hashim
(Independent Non-Executive Director)

MEMBERS

Hamzah bin Harun
(Managing Director)

Y.M. Tunku Mu'tamir bin Tunku Tan Sri Mohamed
(Independent Non-Executive Director)

SECRETARY

Yeap Kok Leong (MAICSA 0862549)

TERMS OF REFERENCE

COMPOSITION

The Committee shall be appointed by the Directors and shall consist of not less than 3 members of whom a majority (including the Committee Chairman) shall be Non-Executive Directors.

FUNCTIONS

- (a) To recommend the appointment of the external auditors, the audit fee, and any question of their resignation or dismissal;
- (b) To discuss with the external auditors, before the audit commences the nature and scope of the audit, and to ensure co-ordination where more than one audit firm is involved;
- (c) To review the quarterly financial statements before submission to the Board, focusing particularly on:-
 - any change in accounting policies and practices
 - major judgemental areas
 - significant adjustments resulting from the audit
 - the going concern assumption
 - compliance with Stock Exchange and legal requirements
- (d) To discuss problems and reservations arising from the interim and final audit, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (e) To keep under review the effectiveness of the internal control system, in particular, review the external auditors' management letter and management's response; and
- (f) To consider other topics, as defined.

DIRECTORS' REPORT

The directors hereby submit their report together with the audited accounts of the Company and of the Group for the financial year ended 31 December, 1999.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding, provision of management and administrative services and dealing in securities.

The principal activities of the subsidiaries are described in Note 9 to the accounts.

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

RESULTS

	Group RM'000	Company RM'000
Loss after taxation	106,507	35,335

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Before the profit and loss accounts and balance sheets were made out, the directors took reasonable steps to ascertain that 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.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off as bad debts or the amount provided for as doubtful debts in the accounts of the Company and of the Group inadequate to any substantial extent.

CURRENT ASSETS

Before the profit and loss accounts and balance sheets were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company and of the Group have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the accounts of the Company and of the Group misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Company or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company or of the Group which has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company or of the Group to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the accounts of the Company or of the Group which would render any amount stated in the accounts misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company and of the Group during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 23 to the accounts.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, 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.

SIGNIFICANT AND SUBSEQUENT EVENTS

(a) During the financial year,

- (i) the Company repurchased the entire RM120,000,000 nominal value of 5-year zero coupon redeemable bank guaranteed Bonds 1997/2002.
- (ii) the Company entered into two Conditional Sale and Purchase Agreements to acquire the entire issued and paid-up share capital of the following two investment holding companies, both of which are incorporated in Malaysia, for a purchase consideration to be satisfied partly in cash and partly by the issuance of new ordinary shares of RM1.00 each in the Company at an issue price of RM1.00 per share:

Company	Paid-up capital RM	Total purchase consideration RM	Cash consideration RM	Number of new ordinary shares to be issued
Saujaran Holdings Sdn. Bhd.	11	170,638,489	25,000,000	145,638,489
Mother Earth Resources & Timber Sdn. Bhd.	2	50,770,002	5,000,000	45,770,002
		<u>221,408,491</u>	<u>30,000,000</u>	<u>191,408,491</u>

Subsequent to the financial year end, the proposal for the above said acquisitions was rejected by the Securities Commission.

- (iii) Bank Negara Malaysia (“BNM”) on 4 January, 1999 assumed control of the whole of the property, business and affairs of Kewangan Bersatu Berhad (“KBB”) pursuant to the Banking and Financial Institutions (Kewangan Bersatu Berhad) (Assumption of Control) Order 1998 issued by the Minister of Finance, so as to facilitate and expedite the capitalisation process of the said subsidiary.

During the year, BNM terminated the management services agreement signed by Hong Leong Finance Berhad and KBB and on 30 March, 2000, KBB entered into another management services agreement with Mayban Finance Berhad to provide management services to KBB under the supervision of BNM.

(b) Subsequent to the financial year end,

- (i) the Company acquired the entire issued and paid-up share capital of Megasanjung Sdn. Bhd. (“MSB”), a company incorporated in Malaysia, comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. The intended principal activity is that of property management.
- (ii) the Company, through its wholly owned subsidiary, MSB, entered into a Joint Management Agreement (“JMA”) with Angkasa Lampiran Sdn. Bhd. on 17 May, 2000, to jointly manage the development of a land held under H. S. (D) 102570 - 102571 P.T. No 19434 - 19435 in the Mukim of Ampangan, District of Seremban, Negeri Sembilan, under the housing scheme known as “Casuarina Apartments”, which comprises the development of 971 units of condominium and low cost flats. The JMA was subsequently revoked on mutual consent by the parties concerned.

BONDS AND WARRANTS

The Company issued RM120,000,000 nominal value of 5-year zero coupon redeemable bank guaranteed Bonds 1997/2002 with 58,919,318 detachable Warrants in 1997. During the financial year, the entire bonds were repurchased and the main features of the warrants are as follows:

- (i) The Warrants are transferable and are quoted on the Kuala Lumpur Stock Exchange.
- (ii) Each Warrant entitles its registered holder the right to subscribe for one new ordinary share of RM1.00 each in the Company at the exercise price of RM4.70 subject to adjustments under certain circumstances in accordance with the Deed Poll at any time during the exercise period, expiring on 29 January, 2002.

As at 31 December, 1999, all the Warrants remained unexercised.

DIRECTORS

The directors who served since the date of the last report are:

Dato' Shamsir bin Omar
Hamzah bin Harun
Y.M. Tunku Mu'tamir bin Tunku Tan Sri Mohamed
Abu Bakar bin Hashim
Muhammed bin Abdul Rahman
Tan Lam Fatt
Tan Poh Choon
Datuk Lim Teow Jin (*appointed on 15 November, 1999*)

In accordance with the Company's Articles of Association, Y.M. Tunku Mu'tamir bin Tunku Tan Sri Mohamed, Dato' Shamsir bin Omar and Datuk Lim Teow Jin retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiaries are a party with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in shares in the Company or its subsidiaries during the financial year other than as follows:

	Number of Ordinary Shares of RM1 Each			31 December, 1999
	1 January, 1999	Bought	Sold	
Macbloom Sdn. Bhd.				
Hamzah bin Harun	1	–	–	1
Giltedged Options and Futures Sdn. Bhd.				
Hamzah bin Harun	1	–	–	1

AUDITORS

Arthur Andersen & Co. retire and have indicated their willingness to accept re-appointment.

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

DATO' SHAMSIR BIN OMAR

HAMZAH BIN HARUN

Kuala Lumpur
27 April 2001

STATEMENT BY DIRECTORS

We, **DATO' SHAMSIR BIN OMAR and HAMZAH BIN HARUN**, being two of the directors of **ARUS MURNI CORPORATION BERHAD**, do hereby state that, in the opinion of the directors, the accompanying balance sheets of the Company and of the Group as at 31 December, 1999 and the profit and loss accounts of the Company and of the Group and the cash flow statement of the Group for the year then ended, together with the notes thereto, give a true and fair view of the state of affairs of the Company and of the Group as at 31 December, 1999 and of the results of the Company and of the Group and cash flows of the Group for the year then ended, and have been properly drawn up in accordance with applicable approved accounting standards in Malaysia.

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

DATO' SHAMSIR BIN OMAR

HAMZAH BIN HARUN

Kuala Lumpur
27 April 2001

STATUTORY DECLARATION

I, **HAMZAH BIN HARUN**, the director primarily responsible for the financial management of **ARUS MURNI CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets of the Company and of the Group as at 31 December, 1999 and the profit and loss accounts of the Company and of the Group and the cash flow statement of the Group for the year then ended, together with the notes thereto 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 **HAMZAH BIN HARUN**)
at Kuala Lumpur in Wilayah Persekutuan)
on 27 April 2001) **HAMZAH BIN HARUN**

Before me

Commissioner for Oaths

AUDITORS' REPORT

To the Shareholders of
ARUS MURNI CORPORATION BERHAD

We have audited the accounts of ARUS MURNI CORPORATION BERHAD ("the Company") and the consolidated accounts of ARUS MURNI CORPORATION BERHAD AND ITS SUBSIDIARIES ("the Group") as at 31 December, 1999. These accounts are the responsibility of the Company's directors. Our responsibility is to express an opinion on these accounts based on our audit.

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

In our opinion,

- (a) the accounts have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of:
 - (i) the state of affairs of the Group and the Company as at 31 December, 1999 and of the results and cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the accounts;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, as indicated in Note 9 to the accounts, being accounts that have been included in the consolidated accounts. We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's accounts are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for these purposes.

The audit reports on the accounts of the subsidiaries were not subject to any qualification or any adverse comment made under subsection (3) of Section 174 of the Act.

Without qualifying our opinion, we draw attention to

- (i) Note 30 to the accounts. The accounts of the Group have been prepared on a going concern basis. This basis may not be appropriate because as at 31 December, 1999, the Group has a deficit in its shareholders' funds of RM336,677,000. The continuation of the Group as a going concern is dependent upon its ability to attain future profitable operations. The accounts of the Group do not include any adjustments to be made to certain amount, and the classification of assets and liabilities should the going concern basis of preparation of accounts be inappropriate.



- (ii) The board of directors on 17 July, 1998 approved the request of Arus Murni Sdn. Bhd., a shareholder, to waive the profit guarantee as disclosed in Note 29 to the accounts. The said shareholder is liable to compensate the Company and the Group for the shortfall in guaranteed profit. However, as at to date the Company and the Group have not proceeded to seek the approval of the relevant authorities and the shareholders. The Company has commenced legal action to recover the shortfall in guaranteed profit and the said action is still in progress. On a prudent basis, no adjustment has been made in the accounts of the Company and the Group to account for the recovery of the said shortfall; and
- (iii) Note 7 to the accounts, wherein it has been disclosed that a cash consideration of RM30,000,000 was paid, which comprise a non-refundable deposits of RM22,000,000 and an advance of RM8,000,000 in connection with the proposed acquisitions as disclosed in Note 27(a)(ii) to the accounts. The directors have decided to write off the non-refundable deposits paid to the vendors amounting to RM22,000,000 and on a prudent basis due to the uncertainty as to the quantum of the amount recoverable and also the timing of its recovery, the directors have decided to provide for the advance amounting to RM8,000,000.

ARTHUR ANDERSEN & CO.
No. AF 0103
Public Accountants

GEORGE KOSHY
No. 1846/7/01(J)
Partner of the Firm

27 April 2001

BALANCE SHEETS

31 DECEMBER, 1999

	Note	Group		Company	
		1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
ASSETS					
Cash and bank balances		35,975	14,829	341	872
Fixed deposits	3	2,651	4,262	2,651	4,042
Dealing securities	4	1,488	2,476	1,488	2,476
Investment securities	5	74,660	220,444	–	–
Loans and advances	6	973,836	1,506,745	–	–
Other assets	7	22,888	45,898	3,156	33,641
Statutory deposit with Bank Negara Malaysia	8	63,600	83,470	–	–
Interest in subsidiaries	9	–	–	1,757	2,975
Fixed assets	10	8,860	13,737	1,732	2,842
Intangible assets	11	1,203	1,092	–	–
TOTAL ASSETS		1,185,161	1,892,953	11,125	46,848
LIABILITIES					
Deposits from customers	12	166,738	535,486	–	–
Deposits and placements of banks and other financial institutions	13	1,297,790	1,558,576	–	–
Other liabilities	14	57,310	29,019	1,748	2,094
Bonds	15	–	42	–	42
		1,521,838	2,123,123	1,748	2,136
SHAREHOLDERS' (DEFICIT)/FUNDS					
Share capital	16	168,341	168,341	168,341	168,341
Reserves	17	(505,018)	(398,511)	(158,964)	(123,629)
		(336,677)	(230,170)	9,377	44,712
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		1,185,161	1,892,953	11,125	46,848
COMMITMENTS AND CONTINGENCIES	26	200,182	89,313	–	–

The accompanying notes are an integral part of these balance sheets.

PROFIT AND LOSS ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER, 1999

	Note	Group		Company	
		1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Interest income	18	162,792	235,176	129	8,717
Interest expense	19	(104,499)	(242,769)	-	-
Net interest income/(expense)		58,293	(7,593)	129	8,717
Loan provision	20	(86,678)	(227,240)	-	-
		(28,385)	(234,833)	129	8,717
Non-interest income/(expense)	21	2,299	(390)	696	414
Overhead expenses	22	(49,804)	(94,188)	(5,201)	(12,450)
Operating loss		(75,890)	(329,411)	(4,376)	(3,319)
Exceptional items	23	(30,565)	(15,147)	(30,959)	(52,253)
Loss before taxation		(106,455)	(344,558)	(35,335)	(55,572)
Taxation	24	(52)	(23,754)	-	-
Loss after taxation		(106,507)	(368,312)	(35,335)	(55,572)
Accumulated losses brought forward		(715,869)	(347,557)	(440,987)	(385,415)
Accumulated losses carried forward		(822,376)	(715,869)	(476,322)	(440,987)
Loss per share (sen)	25	63	219		

The accompanying notes are an integral part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER, 1999

	1999 RM'000	1998 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(106,455)	(344,558)
Adjustments for:		
Fixed assets written off	315	18,347
Intangible assets written off	–	1,328
Amortisation of premium less accretion of discounts	1,650	8,281
Loan and advances provision	86,678	227,240
Provision for doubtful debts	50,942	39,000
Net interest suspended	43,806	66,426
Dividend income	(221)	(390)
Interest income	(208,119)	(309,883)
Interest expense	104,603	242,874
Depreciation	4,523	8,444
Gain on repurchase of bonds	–	(28,667)
Write back of provision for diminution in value of quoted shares	(630)	–
Write back of provision for diminution in value of dealing and investment securities	(3,142)	(771)
Net loss on disposal of dealing and investment securities	2,645	927
Net loss on disposal of fixed assets	–	285
Provision for commitments and contingencies	565	4,814
Operating loss before changes in working capital	(22,840)	(66,303)
Decrease/(increase) in operating assets:		
Fixed deposits	1,611	56,917
Loans and advances	447,881	347,299
Statutory deposit with Bank Negara Malaysia	19,870	510,380
Other assets	(27,932)	(15,546)
Intangible assets	(69)	(107)
Increase/(decrease) in operating liabilities:		
Deposits from customers	(368,748)	(513,041)
Deposits and placements of banks and other financial institutions	(260,786)	(48,514)
Obligations on securities sold under repurchase agreements	–	(492,925)
Other liabilities	37,110	(20,194)
Taxation paid	(9,436)	(6,922)
Interest paid	(104,603)	(242,874)
Net cash flow used in operating activities	(287,942)	(491,830)

	1999 RM'000	1998 RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	221	390
Interest received	162,663	235,176
Net proceeds from disposal of dealing and investment securities	146,249	310,193
Purchase of fixed assets	(3)	(1,593)
Proceeds from disposal of fixed assets	–	1,826
Net cash flow generated from investing activities	309,130	545,992
CASH FLOW FROM FINANCING ACTIVITY		
Payment for repurchase of bonds	(42)	(91,291)
NET INCREASE/(DECREASE) IN CASH	21,146	(37,129)
CASH AT THE BEGINNING OF YEAR	14,829	51,958
CASH AT THE END OF YEAR	35,975	14,829

The accompanying notes are an integral part of this statement.

NOTES TO THE ACCOUNTS

31 DECEMBER, 1999

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding, provision of management and administrative services and dealing in securities.

The principal activities of the subsidiaries are described in Note 9.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts are prepared under the historical cost convention and comply with applicable approved accounting standards in Malaysia.

In respect of the finance subsidiary, the accounts have also been prepared in accordance with the Banking and Financial Institutions Act, 1989 with such modifications and exceptions as determined by BNM.

(b) Basis of Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to the end of the financial year. Inter-company transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.

The difference between the purchase price over the fair value of the net assets of subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve on consolidation. Goodwill arising on consolidation is written off if it is not supported by any intrinsic value.

(c) Investments

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value.

(d) Income Recognition

- (i) Interest income is recognised on an accrual basis. In respect of the finance subsidiary, interest income on hire purchase, block discounting and leasing transactions is recognised on the "Rule of 78" method. Interest income on housing and term loans is recognised by reference to rest periods, which are either monthly or yearly.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for more than three months for loan, hire purchase accounts, block discounting, leasing and advances.

- (ii) Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.
- (iii) Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.
- (iv) Dividends from investment securities are recognised when declared. Dividend income from Malaysian Government investment certificates invested for the purpose of Islamic banking is recognised on a cash basis to comply with the principles of Syariah.
- (v) Hire purchase commission is charged to the profit and loss account as and when it is incurred.

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation of fixed assets is provided on a straight line basis calculated to write off the cost of each asset over its estimated useful life.

The principal annual rates of depreciation are:

Leasehold land and building	Over the remaining period of lease of 37 years
Office equipment, furniture and fittings	10% - 20%
Motor vehicles	20%

(f) Dealing Securities

Dealing securities are marketable securities that are acquired with the intention of disposal in the short term. Dealing securities are stated at the lower of cost and market value as at year end.

(g) Investment Securities

Investment securities are securities that are acquired and held for yield or capital growth purpose (long term purpose) and to meet minimum liquid assets requirement pursuant to Section 38 of the Banking and Financial Institutions Act, 1989 and are usually held to maturity.

Malaysian Government securities, Malaysian Government investment certificates, Cagamas bonds, other Government securities and Bank Guaranteed Private Debt Securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount to maturity date. Other Private Debt Securities are valued at the lower of cost and market value. Other investment securities are stated at cost and provision is made in the event of any permanent diminution in value.

Transfers, if any, between investment and dealing securities are made at the lower of carrying value and market value.

(h) Provision for Doubtful Debts

Specific provisions are made for doubtful debts and financing which have been individually reviewed and specifically identified as bad or doubtful.

A general provision based on a percentage of the loan and financing portfolio is also made to cover possible losses which are not specifically identified.

The finance subsidiary's policy on specific and general provision is in conformity with the "Guidelines on the suspension of interest on non-performing loans and provision for bad and doubtful debts, BNM/ GP3" (revised) issued by BNM.

An uncollectable loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgement of the management, there is no prospect of recovery.

(i) Repurchase and Resale Agreements

Obligation on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. The obligation to repurchase the securities is reflected as a liability in the balance sheet.

Securities purchased under resale agreements are securities which the Group commits to resell at future dates and are reflected as an asset in the balance sheet.

(j) Intangible Assets

Intangible assets comprise pre-operating expenses and deferred expenditure stated at cost. Pre-operating expenses will be written off over a period of three years upon the commencement of operations.

Deferred expenditure in the previous year consists of expenses incurred which are incidental to the bonds issue and was written off in the said year as the bonds were repurchased.

(k) Stocks

Stocks comprise trading stocks which are stated at the lower of cost determined on a first-in-first-out basis and net realisable value.

(l) Currency Conversion and Translation

Transactions in foreign currencies during the year are converted into Ringgit Malaysia at rates of exchange at the transaction dates. Foreign currency monetary assets and liabilities at balance sheet date are translated into Ringgit Malaysia at rates of exchange at that date. All exchange gains or losses are dealt with in the profit and loss accounts.

(m) Hire Purchase Assets

Fixed assets acquired under hire purchase are capitalised in the accounts and are depreciated in accordance with the policy set out in (e) above. The corresponding outstanding obligations due under the hire purchase after deducting finance expenses are included as liabilities in the accounts. Finance expenses are charged to the profit and loss accounts over the period of the respective agreements on a straight line basis.

(n) Amounts recoverable from Danaharta

The total consideration for loans sold to Pengurusan Danaharta Nasional Berhad (“Danaharta”) is received in two portions; upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the finance subsidiary’s predetermined share of the surplus over the initial consideration upon recovery of the loans.

The difference between the carrying value of the loans and the initial consideration is recognised as “Amounts recoverable from Danaharta” within the “Other Assets” component of the balance sheet. Provisions against these amounts are made to reflect the directors’ assessment of the realisable value of the final consideration as at the balance sheet date.

(o) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences arising from the different accounting and taxation treatment of certain income and expenditure items except that where the timing differences give rise to net deferred tax benefit, these net tax benefits are not recognised.

(p) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in bank, net of outstanding bank overdrafts.

(q) Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a long term investment.

3. FIXED DEPOSITS

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Licensed banks	–	1,732	–	1,512
Other corporations	2,651	2,530	2,651	2,530
	<u>2,651</u>	<u>4,262</u>	<u>2,651</u>	<u>4,042</u>

4. DEALING SECURITIES

	Group and Company	
	1999	1998
	RM'000	RM'000
Shares quoted in Malaysia, at cost	6,862	10,992
Provision for diminution in value	(5,374)	(8,516)
	<u>1,488</u>	<u>2,476</u>
At market value	<u>1,488</u>	<u>2,476</u>

5. INVESTMENT SECURITIES

	Group	
	1999	1998
	RM'000	RM'000
Money market instruments:		
Malaysian Government securities	18,539	202,021
Cagamas bonds	–	35,095
Danaharta bonds	51,696	–
	<u>70,235</u>	<u>237,116</u>
Shares in Malaysia, at cost:		
– quoted	3,921	3,921
– unquoted	4,104	4,104
	<u>78,260</u>	<u>245,141</u>
Amortisation of premium less accretion of discounts	(1,650)	(22,117)
Provision for diminution in value of quoted shares	(1,950)	(2,580)
	<u>74,660</u>	<u>220,444</u>
(i) Market value of quoted securities and money market instruments:		
Malaysian Government securities	15,236	181,531
Quoted shares	1,971	1,100
	<u>17,207</u>	<u>182,631</u>
(ii) The maturity structure of money market instruments held for investment is as follows:		
Maturing within one year	–	221,141
Three years to five years	51,696	–
Over five years	18,539	15,975
	<u>70,235</u>	<u>237,116</u>

6. LOANS AND ADVANCES

	Group	
	1999 RM'000	1998 RM'000
Term loans	545,787	626,222
Revolving credit facilities	193,428	210,308
Housing loans	107,280	150,924
Hire purchase	706,757	1,022,341
Lease receivables	42,149	46,901
Block discounting	9,154	19,797
Staff loans	1,477	6,392
Interest free banking scheme	149,783	155,885
	<hr/>	<hr/>
Unearned interest and income	1,755,815 (118,168)	2,238,770 (201,819)
	<hr/>	<hr/>
Gross loans and advances	1,637,647	2,036,951
Provision for bad and doubtful debts:		
– specific	(480,891)	(384,056)
– general	(23,584)	(33,400)
Interest-in-suspense/income-in-suspense	(159,336)	(112,750)
	<hr/>	<hr/>
Net loans and advances	973,836	1,506,745

(i) The maturity structure of loans and advances are as follows:

	Group	
	1999 RM'000	1998 RM'000
Maturing within one year	216,506	253,837
One year to three years	335,511	325,585
Three years to five years	218,527	684,657
Over five years	867,103	772,872
	<hr/>	<hr/>
	1,637,647	2,036,951

(ii) Loans and advances analysed by their economic purposes are as follows:

	Group	
	1999 RM'000	1998 RM'000
Agriculture	6,885	3,696
Mining and quarrying	5,413	7,365
Manufacturing	332,167	82,538
Electricity, gas and water	–	2,837
Construction	617,014	408,375
Purchase of landed property		
– Residential	269,352	278,568
– Non-residential	135,054	121,160
General commerce	11,125	36,520
Transport, storage and communication	11,301	13,105
Finance, insurance and business services	25,295	57,860
Purchase of securities	108,312	119,210
Purchase of transport vehicles	65,055	849,066
Consumption credit	49,979	42,439
Others	695	14,212
	1,637,647	2,036,951

(iii) Movements in the non-performing loans (including interest and income receivable) are as follows:

	Group	
	1999 RM'000	1998 RM'000
At 1 January	824,362	376,841
Non-performing during the year (gross)	185,112	629,297
Amount sold to Danaharta	(51,082)	(8,398)
Recoveries	–	(171,783)
Amount written off	–	(1,595)
At 31 December	958,392	824,362

The non-performing loans and financing during the year is stated at net of recoveries as there was insufficient information to support the movement during the year in the non-performing loans and financing accounts.

(iv) Movements in the provision for bad and doubtful debts and interest-in-suspense/income-in-suspense accounts are as follows:

Specific provision	Group	
	1999 RM'000	1998 RM'000
At 1 January	384,056	155,750
Provision made during the year	167,579	247,398
Amount written back in respect of recoveries	(1,595)	(18,923)
Amount written off	(69,149)	(169)
At 31 December	480,891	384,056
General provision		
At 1 January	33,400	33,400
Amount written back in respect of recoveries	(9,816)	–
At 31 December	23,584	33,400
Interest-in-suspense/income-in-suspense		
At 1 January	112,750	41,168
Provision made during the year	97,686	95,016
Amount sold to Danaharta	(5,597)	(482)
Amount written back in respect of recoveries	(45,503)	(21,526)
Amount written off	–	(1,426)
At 31 December	159,336	112,750

The provision for the interest suspended during the year are net of amounts of interest-in-suspense written-back as there was insufficient information to support the movement during the year in interest-in-suspense/income-in-suspense accounts.

7. OTHER ASSETS

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Deposits for proposed acquisition of investments	69,000	69,000	69,000	69,000
Other debtors	43,870	15,728	3,156	3,641
	112,870	84,728	72,156	72,641
Provision for doubtful debts:				
– deposits paid for proposed acquisitions	(69,000)	(39,000)	(69,000)	(39,000)
– others	(20,982)	(40)	–	–
	22,888	45,688	3,156	33,641
Trading stocks	–	210	–	–
	22,888	45,898	3,156	33,641

- (i) The Company and the Group have commenced legal action to recover the deposits paid in the previous year for various acquisitions which were mutually aborted amounting to RM39,000,000, and the case is still in progress; and
- (ii) The cash consideration paid amounted to RM30,000,000 for the proposed acquisitions as disclosed in Note 27 (a)(ii), of which RM22,000,000 comprise a non-refundable deposit and the balance of RM8,000,000 as an advance to the vendors. The directors have decided to write off the deposit and on a prudent basis to provide for the advance due to the uncertainty as to the quantum of the amount recoverable and the timing of its recovery.

8. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

Statutory deposit is maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Ordinance, 1958 (revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

9. INTEREST IN SUBSIDIARIES

	Company	
	1999 RM'000	1998 RM'000
Unquoted shares, at cost	474,479	474,479
Provision for diminution in value	(472,938)	(471,979)
	1,541	2,500
Due from subsidiaries	4,013	4,180
Provision for doubtful debts	(3,769)	(3,705)
	244	475
Due to subsidiary	(28)	–
	1,757	2,975

The amount due to subsidiary is unsecured, interest free and has no fixed repayment terms.

The subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of Company	Paid-up Capital RM	1999 %	1998 %	Principal Activities
Kewangan Bersatu Berhad *	147,500,000	100	100	Financing
KBB Nominees (Tempatan) Sdn. Bhd. *	10,000	100	100	Nominee services
KBB Properties Sdn. Bhd. *	410,000	100	100	Renting of properties
Giltedged Options and Futures Sdn. Bhd.	2,500,002	99.99	99.99	Licensed futures broker, dormant
Macbloom Sdn. Bhd.	100	98	98	Retailing of rare books, ceased operations
Arus Murni Capital Sdn. Bhd.	3	100	100	Moneylending – dormant

* Audited by other auditors

10. FIXED ASSETS

Group	Leasehold land and buildings RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January, 1999	1,569	34,189	3,959	39,717
Additions	–	3	–	3
Write off	–	(6,010)	(122)	(6,132)
At 31 December, 1999	1,569	28,182	3,837	33,588
Accumulated Depreciation				
At 1 January, 1999	276	24,225	1,479	25,980
Charge	42	3,603	920	4,565
Write off	–	(5,695)	(122)	(5,817)
At 31 December, 1999	318	22,133	2,277	24,728
Net Book Value				
At 31 December, 1999	1,251	6,049	1,560	8,860
At 31 December, 1998	1,293	9,964	2,480	13,737
Depreciation				
Year ended 31 December, 1998	42	7,169	1,233	8,444



Company	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January, 1999	2,185	2,859	5,044
Additions	3	–	3
At 31 December, 1999	2,188	2,859	5,047
Accumulated Depreciation			
At 1 January, 1999	1,059	1,143	2,202
Charge	542	571	1,113
At 31 December, 1999	1,601	1,714	3,315
Net Book Value			
At 31 December, 1999	587	1,145	1,732
At 31 December, 1998	1,126	1,716	2,842
Depreciation			
Year ended 31 December, 1998	541	670	1,211

Included in the above fixed assets of the Group are assets held under hire purchase agreements as follows:

	Cost RM'000	Net Book Value RM'000
Motor vehicles – 1999	1,433	614
– 1998	2,428	1,498

11. INTANGIBLE ASSETS

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
At cost:				
Pre-operating expenses	1,203	1,092	–	–
Deferred expenditure	–	1,771	–	1,771
	1,203	2,863	–	1,771
Amount written off	–	(1,771)	–	(1,771)
	1,203	1,092	–	–

Included in the pre-operating expenses of the Group for the year are:

	1999 RM'000	1998 RM'000
Audit fee	3	3
Depreciation	42	30
Directors' salaries	–	83
Rental of equipment	9	–

12. DEPOSITS FROM CUSTOMERS

	Group	
	1999 RM'000	1998 RM'000
Saving deposits	13,632	14,855
Fixed deposits	153,106	520,631
	166,738	535,486

Maturity structure of fixed deposits and negotiable instruments of deposits is as follows:

	Group	
	1999 RM'000	1998 RM'000
Due within one year	141,606	510,727
After one year up to five years	11,500	9,904
	153,106	520,631

13. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	1999 RM'000	1998 RM'000
Licensed banks	10,053	40,253
Licensed finance companies	735,250	569,631
Other financial institutions	552,487	948,692
	<u>1,297,790</u>	<u>1,558,576</u>

14. OTHER LIABILITIES

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Provision for taxation	–	9,384	–	–
Deposits and advance rental	–	2,159	–	–
Hire purchase creditors	508	875	469	820
Provision for commitments and contingencies	5,379	4,814	–	–
Others	51,423	11,787	1,279	1,274
	<u>57,310</u>	<u>29,019</u>	<u>1,748</u>	<u>2,094</u>
Hire purchase creditors repayable after one year:				
After one up to two years	351	351	335	335
After two up to five years	157	524	134	485
	<u>508</u>	<u>875</u>	<u>469</u>	<u>820</u>

Included in the others balance of the Group are unreconciled suspense accounts amounting to RM14,835,000 in relation to the finance subsidiary.

15. BONDS

	Group and Company	
	1999 RM'000	1998 RM'000
Bonds	42	120,000
Repurchased during the year	(42)	(119,958)
	<u>–</u>	<u>42</u>

The Company issued RM120,000,000 nominal value of 5-year zero coupon redeemable bank guaranteed Bonds 1997/2002 with 58,919,318 detachable Warrants in 1997. During the financial year, the entire bonds were repurchased and the main features of the Warrants are as follows:

- (i) The Warrants are transferable and are quoted on the Kuala Lumpur Stock Exchange.
- (ii) Each Warrant entitles its registered holder the right to subscribe for one new ordinary share of RM1.00 each in the Company at the exercise price of RM4.70 subject to adjustments under certain circumstances in accordance with the Deed Poll at any time during the exercise period, expiring on 29 January, 2002.

As at 31 December, 1999, all the Warrants remained unexercised.

16. SHARE CAPITAL

	Group and Company	
	1999	1998
	RM'000	RM'000
Ordinary shares of RM1 each:		
Authorised	500,000	500,000
Issued and fully paid	168,341	168,341

17. RESERVES

	Group		Company	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
Distributable:				
– Accumulated losses	(822,376)	(715,869)	(476,322)	(440,987)
Non distributable:				
– Share premium	317,358	317,358	317,358	317,358
	(505,018)	(398,511)	(158,964)	(123,629)

The finance subsidiary is required to maintain a statutory reserve in compliance with Section 36 of the Banking and Financial Institutions Act, 1989. However, there is no statutory reserve for the Group for the current financial year due to losses incurred by the finance subsidiary.

18. INTEREST INCOME

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Loans and advances	197,758	283,908	–	–
Money at call and deposit placements with financial institutions	129	3,739	129	8,717
Investment securities	10,361	22,236	–	–
	208,248	309,883	129	8,717
Amortisation of premium less accretion of discounts	(1,650)	(8,281)	–	–
Net interest suspended	(43,806)	(66,426)	–	–
	162,792	235,176	129	8,717

19. INTEREST EXPENSE

	Group	
	1999 RM'000	1998 RM'000
Deposits and placements of banks and other financial institutions	77,548	137,375
Deposits from other customers	20,824	75,560
Others	6,127	29,834
	104,499	242,769

20. LOAN PROVISION

	Group	
	1999 RM'000	1998 RM'000
Provision for bad and doubtful debts:		
– specific provision (net)	96,835	228,475
– general provision	(9,816)	–
Bad debts:		
– written off	460	1,485
– recovered	(801)	(2,720)
	86,678	227,240

**21. NON-INTEREST INCOME/(EXPENSE)**

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Fee income:				
Commissions	13	21	-	-
Participation, commitment and other fees	587	849	-	-
Management fees	-	-	-	287
	600	870	-	287
Investment income:				
Gain from sale of investment securities	-	9	-	-
Loss from dealing securities	(2,645)	(936)	(2,645)	(936)
Gross dividends from:				
- investment securities	182	333	-	-
- dealing securities	39	57	39	57
Write back of/(provision for) diminution in value of:				
- investment securities	-	(230)	-	-
- dealing securities	3,142	1,001	3,142	1,001
Write back of provision for diminution in value of quoted shares	630	-	-	-
	1,348	234	536	122
Other income:				
Gain on disposal of fixed assets	-	8	-	5
Loss from Islamic Banking scheme	(4)	(1,817)	-	-
Rental income	144	-	144	-
Other trading income	4	33	-	-
Other non-operating income	207	282	16	-
	351	(1,494)	160	5
	2,299	(390)	696	414

22. OVERHEAD EXPENSES

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Personnel costs	12,695	25,550	1,457	2,392
Establishment costs	10,432	31,657	–	–
Marketing expenses	574	19,530	–	–
Administration and general expenses	26,103	17,451	3,744	10,058
	49,804	94,188	5,201	12,450

The above includes the following:

Auditors' remuneration:				
– statutory	130	94	30	30
– others	13	51	–	–
Depreciation	4,523	8,444	1,113	1,211
Directors' remuneration				
– salaries and other benefits*	489	1,072	449	1,072
Rental of office premises	4,372	5,450	748	1,121
Rental of equipment	19	–	19	18
Lease rental	368	388	–	–
Deferred expenditure written off	–	1,328	–	1,328
Loss on disposal of fixed assets	–	293	–	–
Fixed assets written off	315	18,347	–	–
Provision for doubtful debts:				
– third party	20,942	–	–	–
– subsidiary	–	–	64	–
Hire purchase interest	104	105	104	105

* The estimated monetary value of other benefits not included in the above received by the directors of the Company and subsidiaries were RM28,000 (1998 : RM95,000).

23. EXCEPTIONAL ITEMS

	Group		Company	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Provision for commitments and contingencies	565	4,814	–	–
Gain on repurchase of bonds net of broking fees	–	(28,667)	–	(28,667)
Provision for diminution in value of investment in subsidiaries	–	–	959	38,215
Provision for doubtful debts:				
– subsidiary	–	–	–	3,705
– deposits paid for proposed acquisitions	30,000	39,000	30,000	39,000
	30,565	15,147	30,959	52,253

24. TAXATION

	Group	
	1999 RM'000	1998 RM'000
Income tax:		
– current year's charge	52	–
– underprovision in respect of prior years	–	16,294
Transfer from deferred tax benefit	–	7,460
	52	23,754

There is no tax charge for the year as the Company is in a tax loss position. The taxation charge for the Group for the year is in respect of dividend income. The underprovision of prior years' taxes of the Group relates to the additional tax liability for years of assessment 1990 to 1998 as a result of the different method adopted by the tax authorities for apportioning common expenses between the leasing and non-leasing business of the finance subsidiary.

25. LOSS PER SHARE

The loss per share has been calculated based on the Group's net loss after taxation of RM106,507,000 (1998 : RM368,312,000) and the number of ordinary shares in issue during the year of 168,341,000 (1998 : 168,341,000).

26. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the finance subsidiary makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions:

	Group	
	1999 RM'000	1998 RM'000
Direct credit substitutes	8,000	8,069
Housing loans sold directly and indirectly to Cagamas Berhad with recourse	126,267	71,015
Irrevocable commitments:		
– maturity exceeding one year	47,098	–
– maturity not exceeding one year	588	–
Others	18,229	10,229
	200,182	89,313

Included in other commitment and contingency is the contingent liability arising from the claims against the finance subsidiary made by a software company whose software development agreement with the said subsidiary has been terminated amounting to RM10.22 million (1998 : RM10.22 million)

27. SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) During the financial year,
- (i) the Company repurchased the entire RM120,000,000 nominal value of 5-year zero coupon redeemable bank guaranteed Bonds 1997/2002.
 - (ii) the Company entered into two Conditional Sale and Purchase Agreements to acquire the entire issued and paid-up share capital of the following two investment holding companies, both of which are incorporated in Malaysia, for a purchase consideration to be satisfied partly in cash and partly by the issuance of new ordinary shares of RM1.00 each in the Company at an issue price of RM1.00 per share:

Company	Paid-up capital RM	Total purchase consideration RM	Cash consideration RM	Number of new ordinary shares to be issued
Saujaran Holdings Sdn. Bhd.	11	170,638,489	25,000,000	145,638,489
Mother Earth Resources & Timber Sdn. Bhd.	2	50,770,002	5,000,000	45,770,002
		<u>221,408,491</u>	<u>30,000,000</u>	<u>191,408,491</u>

Subsequent to the financial year end, the proposal for the above said acquisitions was rejected by the Securities Commission.

- (iii) Bank Negara Malaysia (“BNM”) on 4 January, 1999 assumed control of the whole of the property, business and affairs of Kewangan Bersatu Berhad (“KBB”) pursuant to the Banking and Financial Institutions (Kewangan Bersatu Berhad) (Assumption of Control) Order 1998 issued by the Minister of Finance, so as to facilitate and expedite the capitalisation process of the said subsidiary.

During the year, BNM terminated the management services agreement signed by Hong Leong Finance Berhad and KBB and on 30 March, 2000, KBB entered into another management services agreement with Mayban Finance Berhad to provide management services to KBB under the supervision of BNM.

- (b) Subsequent to the financial year end,
- (i) the Company acquired the entire issued and paid-up share capital of Megasanjung Sdn. Bhd. (“MSB”), a company incorporated in Malaysia, comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. The intended principal activity is that of property management.
 - (ii) the Company, through its wholly owned subsidiary, MSB, entered into a Joint Management Agreement (“JMA”) with Angkasa Lampiran Sdn. Bhd. on 17 May, 2000, to jointly manage the development of a land held under H. S. (D) 102570 - 102571 P.T. No 19434 - 19435 in the Mukim of Ampangan, District of Seremban, Negeri Sembilan, under the housing scheme known as “Casuarina Apartments”, which comprises the development of 971 units of condominium and low cost flats. The JMA was subsequently revoked on mutual consent by the parties concerned.

28. SEGMENTAL REPORTING

The analysis of results and assets employed by activity is shown below:

	Operating Revenue RM,000	Loss Before Taxation RM,000	Total Assets RM,000
1999			
Finance company	208,901	(72,715)	1,172,919
Investment holding	168	(33,393)	9,341
Others	33	(347)	2,901
	<u>209,102</u>	<u>(106,455)</u>	<u>1,185,161</u>
1998			
Finance company	308,903	(329,074)	1,846,546
Investment holding	2,249	(13,652)	42,954
Others	33	(1,832)	3,453
	<u>311,185</u>	<u>(344,558)</u>	<u>1,892,953</u>

No segmental information is provided on a geographical basis as the activities of the Group are carried out predominantly in Malaysia.

29. PROFIT GUARANTEE

In the previous year, Arus Murni Sdn. Bhd. ("AMSB"), a shareholder, expressed its desire to commence negotiation with the Company and the Group to waive the profit guarantee pursuant to the Profit Guarantee Agreement entered into, wherein AMSB guaranteed that the profit before taxation of KBB shall not be less than RM30,192,000 per annum for each of the financial years ended 31 December, 1997 to 1999 which was approved by the board of directors on 17 July, 1998. As at 31 December, 1997, 1998 and 1999, there was a shortfall in the guaranteed profit amounting to RM134,321,000, RM359,286,000 and RM102,948,000 respectively. However, as at to date the Company and the Group have not proceeded to seek the approval of the relevant authorities and the shareholders. The Company has commenced legal action to recover the shortfall in guaranteed profit and the said action is still in progress.

30. GOING CONCERN ASSUMPTION

The Company's and the Group's accounts have been prepared on a going concern basis. However, the following uncertainties may affect the appropriateness of this assumption:

- (a) As at 31 December, 1999, the Group has net shareholders' deficit of RM336,677,000. The ability of the Group to continue as a going concern is dependent on the successful outcome of the negotiations with its financiers for continued and new financial support to meet its liabilities, both accrued and contingent, when they fall due.

- (b) During the financial year, BNM assumed control of KBB, a wholly owned subsidiary, with the objective to expedite the recapitalisation exercise of KBB, as part of the overall rationalisation of the financial services industry. The details of the recapitalisation exercise which may include a possible merger with another financial institution is pending finalisation.

The accounts of the Company and the Group do not include any adjustments being made to certain amounts and the classification of assets and liabilities that may result from the uncertainties referred to above.

Emphasis of matter has also been highlighted in the Auditors' Report of a subsidiary, KBB as to the appropriateness of the going concern assumption in the preparation of the accounts of the subsidiary concerned and the contravention of Section 37 of the Banking and Financial Institutions Act, 1989 for its failure to comply with the minimum risk-weighted capital adequacy ratio of 8%. The continuation of the subsidiary as a going concern is dependent upon its ability to attain future profitable operations and the fresh capital injection from its shareholder.

31. CURRENCY

All amounts are stated in Ringgit Malaysia, unless otherwise stated.

SHAREHOLDING STRUCTURE

SHAREHOLDING STRUCTURE

as at 30 March, 2001

Authorised Share Capital	:	RM500,000,000
Issued and fully paid-up	:	RM168,340,909
Class of Shares	:	There is only one class of shares in the Company – ordinary shares of RM1.00 each
Voting Right	:	One vote per share

ANALYSIS OF SHAREHOLDINGS

as at 30 March, 2001

Size of Holdings	No. of Shareholders	Percentage %	No of Shares	Percentage %
1 – 499	47,609	0.03	217	1.86
500 – 5,000	20,215,256	12.01	8,533	73.13
5,001 – 10,000	13,402,057	7.96	1,606	13.76
10,001 – 100,000	30,006,667	17.82	1,257	10.77
100,001 – 1,000,000	9,151,820	5.44	48	0.41
1,000,001 and above	95,517,500	56.74	7	0.07
Total	168,340,909	100.00	11,668	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS

as at 30 March, 2001

Name of Holders	No. of Shares	Percentage %
1. HLB NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities A/C for Arus Murni Sdn Bhd (HLFTL055A)</i>	49,602,500	29.47
2. HLB NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities A/C for Hood Bin Osman (HLFKLMSL03)</i>	15,887,500	9.44
3. HLB NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities A/C for Nik Hussain Bin Nik Mohamed (HLFKLMSL04)</i>	15,887,500	9.44
4. HLB NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities A/C for Mekuritek Sdn Bhd (HLFKLMSL01)</i>	5,600,000	3.33

LIST OF TWENTY LARGEST SHAREHOLDERS (CONT'D)

as at 30 March, 2001

Name of Holders	No. of Shares	Percentage %
5. HLB NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities A/C for Low Thiam Hoe (HLFKLMSL02)</i>	5,600,000	3.33
6. MULTI-PURPOSE BANK NOMINEES (TEMPATAN) SDN BHD <i>Bayerische Landesbank Girozentrale Singapore for Mokhzani Bin Mahathir</i>	1,876,000	1.11
7. YEOH KEAN HUA	1,064,000	0.63
8. RHB NOMINEES (ASING) SDN BHD <i>RHB-Cathay Securities Pte Ltd for Phua Kok Peng</i>	504,000	0.30
9. ROS NAZIRA BINTI HAJI RASIDI	465,000	0.28
10. EMPLOYEES PROVIDENT FUND BOARD	379,375	0.23
11. JOHAN ENTERPRISE SDN BHD	370,000	0.22
12. CHOW CHEE SERN @ CHOW TIS SAN	348,000	0.21
13. WONG KIE CHIE	303,750	0.18
14. AMSTEEL EQUITY NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities A/C for Chung Kin Chuan (SXM262)</i>	301,000	0.18
15. CHOR SEK CHOON	300,000	0.18
16. BBMB SECURITIES NOMINEES (ASING) SDN BHD <i>OCBC Securities Private Ltd for Ong Hock Cheng</i>	270,000	0.16
17. KOTA BHARU NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities A/C for See Kok @ Chua Soo Hock</i>	265,000	0.16
18. MENTERI KEWANGAN MALAYSIA	256,445	0.15
19. CHEW HUAIPIN SDN BHD	217,500	0.13
20. BOTLY NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities A/C for Oh Kim Sun</i>	211,000	0.13
TOTAL	99,708,570	59.26

**SUBSTANTIAL SHAREHOLDERS**

as at 30 March, 2001

Name of Holders	No. of Shares	Percentage %
ARUS MURNI SDN BHD	49,602,500	29.47
HOOD BIN OSMAN	15,887,500	9.44
NIK HUSSAIN BIN NIK MOHAMED	15,887,500	9.44
MEKURITEK SDN BHD	5,600,000	3.33
LOW THIAM HOE	5,600,000	3.33



LIST OF PROPERTIES

Description	Location	Tenure	Area	Approximate Age of Building (No. of years)	Net Book Value as at 31 December 1999 (RM)
KBB Properties Sdn Bhd					
3 Storey Building	99 & 100, Seksyen 5, Bandar Alor Setar Daerah Kota Setar	60 years leasehold (Term up to 14 January 2029)	1,839 sq ft. and 1,872 sq ft.	27	1,251,000



PROXY FORM

I/We _____

of _____

being a member/members of Arus Murni Corporation Berhad hereby appoint _____

or failing him the Chairman of the Meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held at the East VIP Lounge, First Floor, Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Monday, 21 May, 2001 at 9.30 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

NO.	RESOLUTION	FOR	AGAINST
1.	Approval and Adoption of Audited Accounts and Reports		
2.	Re-election of Dato' Shamsir bin Omar as a Director of the Company		
3.	Re-election of Y.M. Tunku Mu'tamir bin Tunku Tan Sri Mohamed as a Director of the Company		
4.	Re-election of Datuk Lim Teow Jin as a Director of the Company		
5.	To re-appoint Messrs Arthur Andersen & Co as Auditors and to authorise the Directors to fix their remuneration		

Please indicate with "X" how you wish to cast your vote.

Number of Ordinary Shares held	
--------------------------------	--

Date

Signature /Seal of Shareholders

NOTES:

1. This proxy form, duly signed or sealed, must be deposited at the office of the Company's Share Registrar listed on the reverse side of the form not less than 48 hours before the time fixed for the meeting.
2. A corporation must complete the proxy form under its common seal or under the hand of a duly authorised officer or attorney. A proxy need not be a member of the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. Unless voting instructions are indicated in the spaces provided above the proxy may vote as he thinks fit.

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Stamp

TENAGA KOPERAT SDN BHD
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur

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