

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER, 2000

- (iii) Commitment fees and guarantee fees which were material are recognised as income based on time apportionment.
- (iv) Dividends from investment securities were recognised when declared. Dividend income from Malaysian Government investment certificates invested for the purpose of Islamic banking was recognised on a cash basis to comply with the principles of Syariah.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Leasehold land and buildings	Over the remaining period of lease of 37 years
Office equipment, renovation, furniture and fittings	10% - 30%
Motor vehicles	20%

The carrying values of property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(f) Dealing Securities

In the previous financial year, dealing securities were marketable securities that were acquired with the intention of disposal in the short term and to meet minimum liquid assets requirement pursuant to Section 38 of the Banking and Financial Institutions Act, 1989. Dealing securities were stated at the lower of cost and market value as at year end. Transfers, if any, between dealing and investment securities were made at the lower of cost and market value.

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(g) Investment Securities

In the previous financial year, investment securities in the finance subsidiary were securities that were 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 were usually held to maturity.

These securities were stated at cost and provision was made for any permanent diminution in value.

Cost for Malaysian Government securities, Danaharta bonds, Malaysian Government investment certificates, Cagamas bonds, other Government securities and Bank Guaranteed Private Debt Securities held for investment have been adjusted for amortisation of premium and accretion of discount to maturity date. Other Private Debt Securities were valued at the lower of cost and market value.

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

(h) Provision for Bad and Doubtful Debts and Financing

In the previous financial year in the finance subsidiary, specific provisions were 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 was also made to cover possible losses which are not specifically identified.

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

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

(i) Repurchase and Resale Agreements

In the previous financial year in the finance subsidiary, obligation on securities sold under repurchase agreements were securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. The obligation to repurchase the securities was reflected as a liability in the balance sheet.

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

(j) Intangible Assets

Intangible assets comprise preliminary and pre-operating expenses which are stated at cost. During the year, the Company changed its accounting policy in order to comply with the Malaysian Accounting Standards Board Standard 1 : Presentation of Financial Statements to recognise intangible assets in income statement as incurred. Intangible assets previously capitalised in prior years were expensed off to income statement during the current year.

(k) Finance Lease and Hire Purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

The Group recognises finance leases and hire purchase assets as assets and liabilities in the balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease and hire purchase payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease and hire purchase gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased asset is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(l) Amounts recoverable from Danaharta

In the previous financial year in the finance subsidiary, this was related to loans sold to Pengurusan Danaharta Nasional Berhad ("Danaharta") where the total consideration was 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 represented the finance subsidiary's predetermined share of the surplus over the initial consideration upon recovery of the loans.

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

(m) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and at bank and short term deposits which have an insignificant risk of changes in value.

(o) Other Receivables

Other receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

3. FIXED DEPOSITS

	<u>Group and Company</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Licensed bank	200	-
Other corporation	2,742	2,651
	<u>2,942</u>	<u>2,651</u>

The fixed deposits with other corporation of the Group and the Company are pledged with a financial institution for facilities granted to the above mentioned corporation.

4. DEALING SECURITIES

	<u>Group and Company</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Shares quoted in Malaysia, at cost	-	6,862
Provision for diminution in value	-	(5,374)
	<u>-</u>	<u>1,488</u>
At market value	<u>-</u>	<u>1,488</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**5. INVESTMENT SECURITIES

	Group	
	2000 RM'000	1999 RM'000
Money market instruments:		
Malaysian Government securities	-	18,539
Danaharta bonds	-	51,696
	-	70,235
Quoted securities in Malaysia:		
Shares	-	3,921
	-	3,921
Unquoted securities:		
Shares	1,500	4,104
	1,500	8,025
Amortisation of premium less accretion of discounts	-	(1,650)
Provision for diminution in value of shares	(1,500)	(1,950)
	-	74,660
(i) Market value of quoted securities and money market instruments:		
Malaysian Government securities	-	15,236
Quoted shares	-	1,971
	-	17,207
(ii) The maturity structure of money market instruments held for investment is as follows:		
Maturing within:		
Three years to five years	-	51,696
Over five years	-	18,539
	-	70,235

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**6. LOANS AND ADVANCES

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Term loans	-	545,787
Revolving credit facilities	-	193,428
Housing loans	-	107,280
Hire purchase	-	706,757
Lease receivables	-	42,149
Block discounting	-	9,154
Staff loans	-	1,477
Interest free banking scheme	-	149,783
	-	<u>1,755,815</u>
Unearned interest and income	-	<u>(118,168)</u>
Gross loans and advances	-	1,637,647
Provision for bad and doubtful debts		
- specific	-	(480,891)
- general	-	(23,584)
Interest-in-suspense/income-in-suspense	-	<u>(159,336)</u>
Net loans and advances	-	<u><u>973,836</u></u>

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

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Maturing within one year	-	216,506
One year to three years	-	335,511
Three years to five years	-	218,527
Over five years	-	867,103
	-	<u>1,637,647</u>

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

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Agriculture	-	6,885
Mining and quarrying	-	5,413
Manufacturing	-	332,167
Construction	-	617,014
Purchase of landed property		
- Residential	-	269,352
- Non-residential	-	135,054
General commerce	-	11,125
Transport, storage and communication	-	11,301
Finance, insurance and business services	-	25,295
Purchase of securities	-	108,312
Purchase of transport vehicles	-	65,055
Consumption credit	-	49,979
Others	-	695
	-	<u>1,637,647</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**

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

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
At 1 January	958,392	824,362
Non consolidated subsidiaries	(958,392)	-
Non-performing during the year (gross)	-	185,112
Amount sold to Danaharta	-	(51,082)
Amount transferred to investment securities	-	-
At 31 December	<u>-</u>	<u>958,392</u>
As % of total loans including loans sold to Cagamas less specific provision and interest/income-in-suspense	<u>-</u>	<u>28.31%</u>

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

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

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
<u>Specific provision</u>		
At 1 January	480,891	384,056
Non consolidated subsidiaries	(480,891)	-
Provision made during the year	-	167,579
Amount written back in respect of recoveries	-	(69,149)
Amount sold to Danaharta	-	(1,595)
At 31 December	<u>-</u>	<u>480,891</u>
<u>General provision</u>		
At 1 January	23,584	33,400
Non consolidated subsidiaries	(23,584)	-
Amount written back in respect of recoveries	-	(9,816)
At 31 December	<u>-</u>	<u>23,584</u>
% of general provision to total loans less specific provision and interest/income in-suspense	<u>-</u>	<u>2.10%</u>
<u>Interest/income-in-suspense</u>		
At 1 January	159,336	112,750
Non consolidated subsidiaries	(159,336)	-
Provision made during the year	-	97,686
Amount sold to Danaharta	-	(5,597)
Amount written back in respect of recoveries	-	(45,503)
At 31 December	<u>-</u>	<u>159,336</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**7. OTHER ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>2000</u> RM'000	<u>1999</u> RM'000	<u>2000</u> RM'000	<u>1999</u> RM'000
Deposits and advances for proposed acquisition of investments	69,000	69,000	69,000	69,000
Other receivable	2,819	43,870	2,819	3,156
	<u>71,819</u>	<u>112,870</u>	<u>71,819</u>	<u>72,156</u>
Provision for doubtful debts				
- deposits paid for proposed acquisitions *	(61,064)	(61,064)	(61,064)	(61,064)
- advances paid for proposed acquisitions (Note 27(c))	-	(7,936)	-	(7,936)
- others	(2,764)	(20,982)	(2,764)	-
	<u>7,991</u>	<u>22,888</u>	<u>7,991</u>	<u>3,156</u>

* Full provisions have been made for the following balances whereby the Group and the Company have:

- (i) commenced legal action to recover the deposits paid in the previous years for various acquisitions which were mutually aborted amounting to RM39,000,000 and the case is still in progress; and
- (ii) agreed that the balance of approximately RM22,000,000 which comprise a non-refundable deposit be forfeited by the vendors subsequent to the year end as disclosed in Note 27(b).

8. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

In the previous financial year, the statutory deposit of the finance subsidiary was maintained with BNM in compliance with Section 37(1)I of the Central Bank of Malaysia Ordinance, 1958 (revised 1994), the amounts of which were determined as set percentages of total eligible liabilities.

9. INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>2000</u> RM'000	<u>1999</u> RM'000
Unquoted shares, at cost	474,479	474,479
Provision for diminution in value	(474,479)	(472,938)
	<u>-</u>	<u>1,541</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**

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

<u>Name of Company</u>	<u>Paid-up Capital RM</u>	<u>Interest</u>		<u>Principal Activities</u>
		<u>2000 %</u>	<u>1999 %</u>	
Kewangan Bersatu Berhad and its subsidiaries				
Kewangan Bersatu Berhad ("KBB")*	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
Megasanjung Sdn. Bhd.*	2	100	-	Property management - dormant

* Audited by firms of auditors other than Arthur Andersen & Co.

10. DUE FROM SUBSIDIARIES

	<u>Company</u>	
	<u>2000 RM'000</u>	<u>1999 RM'000</u>
Due from subsidiaries	4,050	4,013
Provision for doubtful debts	(4,050)	(3,769)
	<u>-</u>	<u>244</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**11. PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>Leasehold land and buildings</u> RM'000	<u>Office equipment, renovation, furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>				
At 1 January, 2000	1,569	28,182	3,837	33,588
Deconsolidation	(1,569)	(25,918)	(826)	(28,313)
Additions	-	5	-	5
Disposals	-	-	(315)	(315)
At 31 December, 2000	-	2,269	2,696	4,965
<u>Accumulated Depreciation</u>				
At 1 January, 2000	318	22,133	2,277	24,728
Deconsolidation	(318)	(20,510)	(511)	(21,339)
Charge	-	318	597	915
Disposals	-	-	(247)	(247)
At 31 December, 2000	-	1,941	2,116	4,057
<u>Net Book Value</u>				
At 31 December, 2000	-	328	580	908
At 31 December, 1999	1,251	6,049	1,560	8,860
<u>Depreciation</u>				
Year ended 31 December, 1999	42	3,603	920	4,565

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**

<u>Company</u>	Office equipment, renovation, furniture and <u>fixtures</u> RM'000	Motor <u>vehicles</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>			
At 1 January, 2000	2,188	2,859	5,047
Additions	5	-	5
Disposal	-	(315)	(315)
At 31 December, 2000	<u>2,193</u>	<u>2,544</u>	<u>4,737</u>
<u>Accumulated Depreciation</u>			
At 1 January, 2000	1,601	1,714	3,315
Charge	306	567	873
Disposal	-	(247)	(247)
At 31 December, 2000	<u>1,907</u>	<u>2,034</u>	<u>3,941</u>
<u>Net Book Value</u>			
At 31 December, 2000	<u>286</u>	<u>510</u>	<u>796</u>
At 31 December, 1999	<u>587</u>	<u>1,145</u>	<u>1,732</u>
<u>Depreciation</u>			
Year ended 31 December, 1999	<u>542</u>	<u>571</u>	<u>1,113</u>

Included in the property, plant and equipment of the Group and Company are costs of fully depreciated assets and assets held under finance lease and hire purchase agreements as follows:

	<u>2000</u> RM'000	<u>1999</u> RM'000
<u>Group</u>		
<u>Assets Under Finance Lease and Hire Purchase</u>		
Motor vehicles - cost	<u>1,117</u>	<u>1,433</u>
- net book value	<u>457</u>	<u>614</u>
<u>Fully depreciated assets</u>		
Renovations	<u>1,263</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**

	<u>2000</u> RM'000	<u>1999</u> RM'000
<u>Company</u>		
<u>Assets Under Hire Purchase</u>		
Motor vehicles - cost	<u>965</u>	<u>1,280</u>
- net book value	<u>386</u>	<u>512</u>
<u>Fully depreciated assets</u>		
Renovation	<u>1,263</u>	<u>-</u>
12. <u>INTANGIBLE ASSETS</u>		
	<u>2000</u> RM'000	<u>1999</u> RM'000
		<u>Group</u>
At cost:		
Preliminary and pre-operating expenses	1,203	1,203
Amount written off	<u>(1,203)</u>	<u>-</u>
	<u>-</u>	<u>1,203</u>
Included in the preliminary and pre-operating expenses of the Group in the prior financial year were:		
		<u>1999</u> RM'000
Audit fee		3
Depreciation		42
Rental of equipment		<u>9</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**13. DEPOSITS FROM CUSTOMERS

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Saving deposits	-	13,632
Fixed deposits	-	153,106
	<u>-</u>	<u>166,738</u>

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

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Due within one year	-	141,606
After one year up to five years	-	11,500
	<u>-</u>	<u>153,106</u>

In the previous financial year, the deposits were sourced from the following types of customers:

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Business enterprises	-	15,074
Individuals	-	47,688
Others	-	103,976
	<u>-</u>	<u>166,738</u>

14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Licensed banks	-	10,053
Licensed finance companies	-	735,250
Other financial institutions	-	552,487
	<u>-</u>	<u>1,297,790</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**15. DUE TO SUBSIDIARIES

Amounts due to subsidiaries were unsecured, interest free and had no fixed terms of repayments.

16. OTHER LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM'000	RM'000	RM'000	RM'000
Finance lease and hire purchase creditors	463	508	424	804
Provision for commitments and contingencies (i)	1,974	5,379	1,974	-
Others (ii)	725	51,423	499	944
	<u>3,162</u>	<u>57,310</u>	<u>2,897</u>	<u>1,748</u>
Representing lease and hire purchase liabilities:				
Due within 12 months	305	351	289	335
Due after 12 months	158	157	135	469
	<u>463</u>	<u>508</u>	<u>424</u>	<u>804</u>

(i) Movements in provision for commitments and contingencies are as follows:

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Balance as at 1 January	5,379	4,814
Deconsolidation	(5,379)	-
Provision made during the year	1,974	565
Balance as at 31 December	<u>1,974</u>	<u>5,379</u>

The Group and the Company received claims from a stockbroking company amounting to approximately RM1,974,000. The directors are disputing the claims. However, on a prudent basis, the directors have provided for the entire amount until a satisfactory resolution is reached between the parties concerned.

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**

(ii) Included in the other balance of the Group are the followings:

	<u>2000</u> RM'000	<u>1999</u> RM'000
Unreconciled suspense accounts in relation to Inter Branch- Head Office current accounts of a finance subsidiary	-	14,835
Fixed day outstation cheques of a finance subsidiary	-	8,785
Sundry creditors	-	1,986
Manual inter branch loan repayment of a finance subsidiary	-	1,703
Accruals	725	1,740
Head Office reconciliation items of a finance subsidiary	-	1,297
Others	-	21,077
	<u>725</u>	<u>51,423</u>

17. SHARE CAPITAL

	<u>Group and Company</u>			
	<u>Number of Ordinary Shares of RM1 Each</u>		<u>Amount</u>	
	<u>2000</u> '000	<u>2001</u> '000	<u>2000</u> RM'000	<u>2001</u> RM'000
Authorised	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid	<u>168,341</u>	<u>168,341</u>	<u>168,341</u>	<u>168,341</u>

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

18. INTEREST INCOME

	<u>Group</u>		<u>Company</u>	
	<u>2000</u> RM'000	<u>1999</u> RM'000	<u>2000</u> RM'000	<u>1999</u> RM'000
Loans and advances	-	197,758	-	-
Money at call and deposit placements with financial institutions	105	129	105	129
Investment securities	-	10,361	-	-
	<u>105</u>	<u>208,248</u>	<u>105</u>	<u>129</u>
Amortisation of premium less accretion of discounts	-	(1,650)	-	-
Net interest suspended	-	(43,806)	-	-
	<u>105</u>	<u>162,792</u>	<u>105</u>	<u>129</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**19. INTEREST EXPENSE

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	-	77,548
Deposits from other customers	-	20,824
Others	-	6,127
	<u>-</u>	<u>104,499</u>

20. LOAN PROVISION

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Provision for bad and doubtful debts		
- specific provision (net)	-	96,835
- general provision	-	(9,816)
Bad debts		
- written off	-	460
- recovered	-	(801)
	<u>-</u>	<u>86,678</u>

21. NON-INTEREST INCOME

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commissions	-	13	-	-
Participation, commitment and other fees	-	587	-	-
	<u>-</u>	<u>600</u>	<u>-</u>	<u>-</u>
Investment income:				
Loss from dealing securities	(3,725)	(2,645)	(3,725)	(2,645)
Gross dividends from:				
- investment securities	-	182	-	-
- dealing securities	-	39	-	39
Write back of provision for diminution in value of dealing securities	5,373	3,142	5,373	3,142
Write back of provision for diminution in value of quoted shares	-	630	-	-
	<u>1,648</u>	<u>1,348</u>	<u>1,648</u>	<u>536</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**

	<u>Group</u>		<u>Company</u>	
	<u>2000</u> RM'000	<u>1999</u> RM'000	<u>2000</u> RM'000	<u>1999</u> RM'000
Other income:				
Loss from Islamic Banking Scheme	-	(4)	-	-
Write back of provision for doubtful debts for advances paid for proposed acquisitions	7,936	-	7,936	-
Rental income	-	144	-	144
Gain on disposal of property, plant and equipment	52	-	52	-
Trading income	-	4	-	-
Other non-operating income	-	207	-	16
	<u>7,988</u>	<u>351</u>	<u>7,988</u>	<u>160</u>
	<u>9,636</u>	<u>2,299</u>	<u>9,636</u>	<u>696</u>

22. OVERHEAD EXPENSES

Included in overhead expenses are:

	<u>Group</u>		<u>Company</u>	
	<u>2000</u> RM'000	<u>1999</u> RM'000	<u>2000</u> RM'000	<u>1999</u> RM'000
Depreciation	915	4,523	873	1,113
Directors' remuneration (Note 23)	628	543	628	543
Hire purchase interest	140	104	132	104
Interest on term loan	-	79	-	-
Intangible assets written off	1,203	-	-	-
Audit fees				
- statutory audit	36	130	30	30
- others	-	8	-	-
Rental of office premises	466	4,372	466	748
Rental of equipment	27	19	27	19
Lease rental	-	368	-	-
Property, plant and equipment written off	-	315	-	-
Provision for doubtful debts				
- deposits paid for proposed acquisitions	-	30,000	-	30,000
- third party	2,764	50,942	2,764	-
- subsidiaries	-	-	281	64
Provision for diminution in value of investments	1,500	-	-	-
Provision for commitments and contingencies	1,974	565	1,974	-
Provision for diminution in value of investment in subsidiaries	-	-	1,541	959

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER, 2000**23. DIRECTORS' REMUNERATION

	<u>Group</u>		<u>Company</u>	
	<u>2000</u> RM'000	<u>1999</u> RM'000	<u>2000</u> RM'000	<u>1999</u> RM'000
<u>Directors of the Company</u>				
Executive:				
Salaries and other emoluments	540	505	540	505
Benefits-in-kind	28	28	28	28
	<u>568</u>	<u>533</u>	<u>568</u>	<u>533</u>
Non-Executive:				
Salaries and other emoluments	88	38	88	38
Total	<u>656</u>	<u>571</u>	<u>656</u>	<u>571</u>
Total excluding benefits-in-kind	<u>628</u>	<u>543</u>	<u>628</u>	<u>543</u>

The number of directors of the Company whose total remuneration during the year fall within the following bands is as follows:

	<u>Number of Directors</u>	
	<u>2000</u>	<u>1999</u>
Executive directors:		
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	1	-
RM350,001 - RM400,000	1	-
RM400,001 - RM450,000	-	1
Non-Executive directors:		
Below RM500,000	3	6
RM50,001 - RM100,000	1	-

24. TAXATION

	<u>Group</u>	
	<u>2000</u> RM'000	<u>1999</u> RM'000
Income taxation	<u>-</u>	<u>52</u>

There is no tax charge for the year as the Group and the Company are in tax loss position.

As at 31 December, 2000, the Company has tax losses of approximately RM70 million (1999 : RM70 million) and unutilised capital allowances of approximately RM2 million (1999 : RM2 million), which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

NOTES TO THE FINANCIAL STATEMENTS

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As at 31 December, 2000, the Company has a potential deferred tax benefit of approximately RM20 million (1999 : RM20 million), arising principally from tax losses carried forward and unutilised capital allowances, the effects of which are not included in the financial statements as there is no assurance beyond any reasonable doubt that future taxable income will be sufficient to allow the benefit to be realised.

25. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share of the Group is calculated by dividing the net profit/(loss) attributable to shareholders of RM345,656,000 (1999 : RM106,507,000) by the weighted average number of ordinary shares in issue during the financial year of 168,341,000 (1999 : 168,341,000).

26. COMMITMENTS AND CONTINGENCIES

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

	<u>Group</u>	
	<u>2000</u>	<u>1999</u>
	RM'000	RM'000
Secured		
Housing loans sold directly and indirectly to Cagamas Berhad with recourse	-	126,267
Irrevocable commitments:		
- maturity exceeding one year	-	47,098
- maturity not exceeding one year	-	588
Others	-	6,200
Unsecured		
Direct credit substitutes	-	8,000
Others	-	12,029
	<u>-</u>	<u>200,182</u>

27. SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) On 4 January, 1999, Bank Negara Malaysia ("BNM") assumed control of the whole property, business and affairs of Kewangan Bersatu Berhad ("KBB"), a wholly owned subsidiary of the Company, pursuant to the Banking and Financial Institutions (Kewangan Bersatu Berhad) (Assumption of Control) Order 1998 issued by the Minister of Finance.

On 30 November, 2000, KBB entered into management services agreement with Mayban Finance Berhad ("MFB") to provide management services to KBB under the supervision of BNM. Subsequently on 30 August, 2000, an Assets Purchase Agreement has been entered into with MFB for the purpose of acquisition of certain assets of KBB.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER, 2000

Arising from the above, the financial statements of KBB and its subsidiaries ("KBB Group") have not been consolidated in the preparation of the Group financial statements in the current financial year as the directors are of the opinion that the Company has lost effective control in KBB since the control and management of the affairs of KBB has been assumed by BNM since 4 January, 1999. Consequently, the audited financial statements of KBB Group will not be annexed to the Group financial statements as exempted by the Assistant Registrar of Companies on 31 July, 2002.

- (b) Pursuant to the Sale and Purchase Agreements dated 11 November, 1998 between the Company and the vendors of Saujaran Holdings Sdn. Bhd. ("Saujaran") and Mother Earth Resources & Timber Sdn. Bhd. ("MERT"), the Company entered into a Settlement & Compromise Agreement ("SCA") on 5 November, 2001 with the vendors of Saujaran, MERT, Angkasa Lampiran Sdn. Bhd. ("ALSB") and Bitarex Sdn. Bhd. ("BSB") to:
- (i) confirm that the entire deposits paid for the proposed acquisitions amounting to approximately RM17,064,000 and RM5,000,000 would be forfeited by the vendors of Saujaran and MERT respectively as agreed liquidated damages for termination of the Sale and Purchase Agreements; and
 - (ii) accept the shares in ALSB and BSB as full and final settlement of the advance due from the vendors amounting to RM7,936,000 in lieu of a cash refund.
- (c) The 58,919,318 detachable Warrants 1997/2001 were issued on a "bought deal" basis in conjunction with the issuance of RM120,000,000 nominal value of zero coupon redeemable Bank Guaranteed Bonds of RM1.00 each. The warrants 1997/2001 are convertible into fully paid Ordinary Shares of the Company at a rate of RM4.70 for one (1) new Arus Murni Corporation Berhad's share subject to adjustment in accordance with the terms of the Deed Poll dated 17 January, 1997 and the Supplemental Deed Poll dated 4 July, 1997. All warrants which are not exercised by 29 October, 2001 have lapsed.

28. SEGMENTAL REPORTING

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

	Operating Revenue RM'000	Profit/(loss) Before Taxation RM'000	Total Assets RM'000
<u>2000</u>			
Investment holding	105	(262)	12,012
Others	-	(2,783)	129
	105	(3,045)	12,141
Consolidation adjustments	-	348,701	-
	105	345,656	12,141
<u>1999</u>			
Finance company	208,901	(72,715)	1,228,420
Investment holding	168	(35,335)	11,153
Others	4	(347)	2,901
	209,073	(108,397)	1,242,474
Consolidation adjustments	-	1,942	(57,313)
	209,073	(106,455)	1,185,161

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER, 2000

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 years, Arus Murni Sdn. Bhd. ("AMSB"), a shareholder of the Company, expressed its desire to commence negotiation with the Company 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. As at to date the Company has not proceeded to seek the approval of the relevant authorities and the shareholders to waive the shortfall in guaranteed profit, but instead the Company commenced legal action against AMSB to recover the shortfall in guaranteed profit and the said action is still in progress.

30. RESTRUCTURING EXERCISE

The Group on 28 February, 2001 announced that it is considered to be an affected listed issuer pursuant to the requirement of Practice Note 4/2001 ("PN4") issued by the Kuala Lumpur Stock Exchange. The Group is required to regularise its financial conditions within the time frame stipulated by the PN4 failing which it may be regarded as a listed issuer whose financial conditions does not warrant continued trading and/or listing.

In view of the above matter, the Group and the Company are in the progress of formulating a plan to regularise its financial condition. The plan upon its finalisation will be conditional upon the approvals of amongst others, the regulatory authorities and the shareholders.

31. COMPARATIVE FIGURES

The presentation of the financial statements for the current year has been changed to adopt the format as prescribed by Malaysian Accounting Standards Board Standard 1 : Presentation of Financial Statements. The comparative figures included the results of the finance subsidiary which was excluded from the consolidated financial statements for the financial year ended 31 December, 2000 as explained in Note 27(a).