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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **TWENTY-EIGHTH 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 Thursday, 19 June 2003 at 9.30 a.m. to transact the following business: -

AGENDA

AS ORDINARY BUSINESS

1. To receive and adopt the Statutory Financial Statements for the year ended 31 December 2002 and the Directors and Auditors Reports thereon. *(Resolution 1)*

2. (a) To re-elect the following Directors retiring in accordance with **Article 79** of the Company's Articles of Association: -
 - (i) Dato' Shamsir bin Omar *(Resolution 2)*

 - (ii) Tan Lam Hin *(Resolution 3)*

3. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Resolution 4)*

AS SPECIAL BUSINESS

4. To Consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

Approval for Issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965

“THAT, subject to the Companies Act 1965, the Articles of Association of the Company and the approvals from Kuala Lumpur Stock Exchange and other relevant government/regulatory authorities where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Board of Directors be and are also empowered to obtain approval for listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange”

(Resolution 5)

5. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

YEAP KOK LEONG
MAICSA NO. 0862549
Secretary

KUALA LUMPUR
29 May 2003

NOTES:

1. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company.*
2. *Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities account.*
3. *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.*

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Kuala Lumpur Stock Exchange:

a) Directors standing for re-election at the Twenty-Eighth Annual General Meeting of the Company

□ Pursuant to **Article 79** of the Company’s Articles of Association:

- (i) Dato’ Shamsir bin Omar
- (ii) Tan Lam Hin

b) Details of attendance of Directors at Board Meetings

Five (5) Board meetings were held during the financial year from 1 January 2002 to 31 December 2002. Details of attendance of Directors at the Board meetings are as follows: -

Name	Attendance	%
Dato’ Shamsir bin Omar	5 of 5	100
Ramli Bin Harun	5 of 5	100
Muhamed Bin Abdul Rahman	4 of 5	80
Tan Lam Hin	4 of 5	80
Zailan Bin Othman	4 of 5	80
Mohamad Malik Bin Jamal Mohamed	4 of 5	80

c) Date, Time and Place of the Twenty-Eighth Annual General Meeting

The Annual General Meeting 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 Thursday, 19 June 2003 at 9.30 a.m.

□ Further details of Directors standing for re-election are set out on pages 8 and 9 of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Shamsir Bin Omar
Executive Chairman
Non-Independent Director

Ramli Bin Harun
Non-Executive Director
Independent Director

Muhamed Bin Abdul Rahman
Deputy Executive Chairman
Non-Independent Director

Zailan Bin Othman
Non-Executive Director
Independent Director

Tan Lam Hin
Executive Director
Non-Independent Director

Mohamad Malik Bin Jamal Mohamed
Non-Executive Director
Independent Director

AUDIT COMMITTEE

Ramli Bin Harun
Chairman
Independent Director

Dato' Shamsir Bin Omar
Non-Independent Director

Zailan Bin Othman
Non-Executive Director
Independent Director

COMPANY SECRETARY

Yeap Kok Leong (MAICSA NO. 0862549)

LISTINGS

Kuala Lumpur Stock Exchange

REGISTRAR

Tenaga Koperat Sdn Bhd (Co. No 118401-V)
20th Floor
Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-40416522
Fax: 03-40426352

REGISTERED OFFICE

20th Floor, East Wing
Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-40439411
Fax: 03-40431233

AUDITORS

Ernst & Young (AF : 0039)

PRINCIPAL BANKERS

Malayan Banking Berhad
EON Bank Berhad

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Arus Murni Corporation Berhad ("AMCB"), I am pleased to report that AMCB is no longer an affected issuer pursuant to Practice Note 4 ("PN4") issued by the Kuala Lumpur Stock Exchange ("KLSE") as it was reclassified from the "PN 4 Condition" sector to the Trading / Services sector of the Main Board of the KLSE on 24 September 2002.

However, the Company is still considered to be an affected issuer pursuant to Practice Note 10 ("PN 10") issued by the KLSE on 10 September 2002 as the Company is considered as not having an adequate level of operations to warrant continued trading and/or listing on the Main Board of the KLSE.

During the financial year, the Board of Directors announced the proposed acquisitions of Jernih Makmur Sdn Bhd and Consistent Harvest Sdn Bhd to ensure that AMCB meets the requirements of PN 10 and thereby ensuring AMCB will have an adequate level of operations to warrant continued trading and/or listing on the Main Board of the KLSE.

I am pleased to report that on 24 March 2003, the Foreign Investment Committee and on 5 May 2003, the Securities Commission approved the proposed acquisitions respectively.

FINANCIAL HIGHLIGHTS

For the financial year under review, the Group recorded a pre-tax loss of RM2.2 million as compared to RM2.1 million in the previous financial year. This marginal increase in losses is mainly due to the increase in cost of sales from our property development subsidiary where costs of RM2.7 million for the financial year under review were incurred as compared to RM1.8 million for last financial year. The increased cost of sales recognised was due to increases in cost of building materials as well as unexpected delays in the completion of the low cost housing project. The increase in the cost of sales recognised was offset by the bold measures taken by the management to reduce the administrative expenses from RM1.4 million incurred in the financial year 2001 to RM0.8 million in the financial year under review as well as the reduction in the operating expenses from RM1.2 million to RM0.5 million.

LOOKING FORWARD

With the above-mentioned proposed acquisitions, I am confident that when all the relevant approvals have been received from the authorities as well as our shareholders, AMCB would be able to stabilise its financial position and thereby be able to exploit the enlarged Group's potential profitability and consequently expand on its growth.

CHAIRMAN'S STATEMENT

CORPORATE GOVERNANCE AND INVESTOR RELATIONS

During the financial year under review, the Board of Directors set-up an Internal Audit function that reports directly to the Audit Committee with a view not only to strengthen AMCB's internal controls but also on a regular basis to perform "gap analysis" in relation to the operations and finance functions of the Group. Any "gaps" found will be reported to the Audit Committee and the Board for review and consequently converted into action plans.

The Board is committed to the principles of good corporate governance as well as adherence to the guidelines provided by the Securities Commission and the KLSE. At the same time, we are also working towards full compliance of good corporate governance to protect and enhance shareholders value.

ACKNOWLEDGEMENTS

I would like to express my utmost appreciation to the management and staff of AMCB for their continued dedication and loyalty to the Group. They have worked tirelessly during this challenging period and the positive signs that the Group is beginning to show is surely a just reward for their efforts. I would also like to thank our shareholders, customers, financiers, business partners, suppliers and all relevant authorities for their continuing support and confidence.

DATO' SHAMSIR BIN OMAR
Executive Chairman

Kuala Lumpur
29 May 2003

PROFILE OF DIRECTORS

Dato' Shamsir Bin Omar, Malaysian aged 68, was appointed as Director and Chairman of the Company on 16 November 1998. He was appointed as the Executive Chairman on 26 August 2002. He is also a member of the Audit Committee. He is a Fellow Member of The Institute of Chartered Accountants in Australia and a member of the Malaysian Institute of Accountants. He commenced his career in 1960 as an Auditor and Accountant in the Department of Co-operative Development. In 1967, he was the Chief Accountant in the Ministry of Education and in 1968, he became the Deputy Accountant General. From 1969 to 1989, he held the position of Accountant General in the Ministry of Finance. He also holds a directorship in Tanah Emas Corporation Berhad.

Dato' Shamsir does not have any family relationship with any other Director and / or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Dato' Shamsir attended five (5) Board meetings of the Company held during the financial year ended 31 December 2002.

Muhamed Bin Abdul Rahman, Malaysian aged 59, was appointed as an Executive Director on 16 November 1998. On 26 August 2002 he was appointed as the Deputy Executive Chairman. He graduated from the Royal Military College ("RMC") and after commissioning in December 1965, he served in various parts of Malaysia until his early retirement in mid-1980. While in service, he attended various courses both locally and overseas. From mid-1980's, he has been actively involved in international trading, petroleum, timber and construction industries.

Encik Muhamed does not have any family relationship with any other Director and / or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Encik Muhamed attended four (4) Board meeting of the Company held during the financial year ended 31 December 2002.

Tan Lam Hin, Malaysian aged 49, was appointed as an Executive Director on 30 July 2002. He graduated from the University Malaya with a Bachelor of Science (Hons.) degree in 1978. He is a Licentiate Member of the Institute of Chemist. He was involved in the timber industry from 1980 to 1986 and with S.E.A Piling Sdn Bhd before being appointed a Director of Pembinaan Kansalles Sdn Bhd, a development and construction company. He has a strong background in property development and property management skills that he acquired through "hands on" experiences.

Mr. Tan does not have any family relationship with any other Director and / or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Mr. Tan attended four (4) Board meetings of the Company held during the financial year ended 31 December 2002.

PROFILE OF DIRECTORS

Ramli Bin Harun, Malaysian aged 45, was appointed as an Independent Non-Executive Director on 30 July 2002. He is the Chairman of the Audit Committee. He was a Director of Palembang Usahaniaga Sdn Bhd from 1984 to 1992, managing various large housing projects in Negeri Sembilan Darul Khusus. During his tenure in Palembang Usahania Sdn Bhd. he focused his attention predominantly on project management. Thereby, he has gained a good working knowledge in property management and property development.

Encik Ramli does not have any family relationship with any other Director and / or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Encik Ramli attended five (5) Board meetings of the Company held during the financial year ended 31 December 2002.

Zailan Bin Othman, Malaysian aged 41, was appointed as an Independent Non-Executive Director on 7 August 2002. He is a member of the Audit Committee. He was a Director for Kemanyan Resources Sdn Bhd, managing project “Rasah Kemayan” from 1995 to 1998. His role thence was predominately in business development. In 1999, he ventured into trading and distribution of branded sports goods where he was the Director in charge of operations. He has a strong background in successful operational business management.

Encik Zailan does not have any family relationship with any other Director and / or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Encik Zailan attended four (4) Board meetings of the Company held during the financial year ended 31 December 2002.

Mohamad Malik Bin Jamal Mohamed, Malaysian aged 33, was appointed as an Independent Non-Executive Director on 30 July 2002. He holds a Masters of Business Administration from the Imperial College Management, London. He started his career in 1991 with Matsushita Electric Company as a Production Engineer and later moved into corporate finance. He has a strong background in engineering and finance.

Encik Mohamad Malik does not have any family relationship with any other Director and / or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Encik Mohamad Malik attended four (4) Board meetings of the Company held during the financial year ended 31 December 2002.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Malaysian Code on Corporate Governance which was incorporated into the revamped Listing Requirements of the Kuala Lumpur Stocks Exchange since year 2001, set out the principles and best practices that require all public listed companies to apply in directing and managing their business affairs to achieve the ultimate objectives of maximisation of shareholders wealth.

These principles and best practices have been progressively applied by AMCB since the previous financial year. AMCB is also committed to improve on the adoption of the Malaysian Code on Corporate Governance. Where there are deviations, alternative measures undertaken were disclosed. The statement below sets out the degree of application of the key principles and the extent of compliance with the best practices throughout the financial year ended 31 December 2002.

THE BOARD

The Board recognises its responsibility in leading and controlling the Group towards realising long term shareholders values. The diversified wealth of experience (a brief profile of each director is presented on the directors' profile), of the Board members' has been put to bear when they make judgement on strategies, performance, resources and standards.

The Board meets regularly on a quarterly basis with additional meetings convened as and when necessary. During the financial year ended 31 December 2002, five (5) Board meetings were held. Details of attendance of directors are as follows:

a) Board Meetings

Name	Status	Attendance	%
Dato' Shamsir bin Omar	Non-Independent	5 of 5	100
Muhamed Bin Abdul Rahman	Non-Independent	4 of 5	80
Tan Lam Hin	Non-Independent	4 of 5	80
Ramli Bin Harun	Independent	5 of 5	100
Zailan Bin Othman	Independent	4 of 5	80
Mohamad Malik Bin Jamal Mohamed	Independent	4 of 5	80

The notice of meetings, agenda and relevant information are circulated to every member of the Board prior to meetings to enable them to have comprehensive understanding of the issues to be deliberated upon so as to enable them to arrive at an informed decision.

CORPORATE GOVERNANCE STATEMENT

b) Board Balance

The composition of the Board is broadly balanced to reflect the interests of major shareholders, management and minority shareholders. There are six (6) Board members comprising:

- Three (3) Independent Non-Executive Directors
- Three (3) Executive Directors

The three (3) non-executive directors bring their independent judgement to bear in the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interests arise, it is a mandatory practice for the directors involved to declare their interests and abstain from the decision-making process.

The Board had not in the financial year under review identified a senior independent non-executive director to whom concerns may be conveyed. However, it is the Boards' intention to do so in the coming financial year.

Similarly, the Board had not in the financial year under review identified a Chief Executive Officer to delegate the Board's authority and accountability to the executive management. It is the intention of the Board to identify a Chief Executive Officer once the group has an adequate level of operations.

c) Supply of Information

The Directors have full and timely access to information concerning the Company and the Group. The Directors are provided with the relevant agenda and Board papers in sufficient time prior to Board meetings to enable them to obtain further explanation and clarification to facilitate informed decision-making. The Board papers include reports on the Group's financial position, operational and corporate development matters.

The Directors have access to the advice and services of the Company Secretary and senior Management staff in the Group and may also obtain independent professional advice at the Company's expense when necessary.

d) Appointment to the Board

In accordance with the best practices of the Code, the Board has yet to establish a process to be carried out for assessing the effectiveness of the Board as a whole. In 2003, however, the Board had already established a Nomination Committee. The Nomination Committee will be primarily responsible for the recommendation of suitable candidates to fill Board vacancies, assessing the effectiveness of the Board, Board Committee and contribution of each individual director on an ongoing basis.

CORPORATE GOVERNANCE STATEMENT

e) Re-election

In accordance with the Company's Articles of Association, any director appointed during the year is to retire and seek re-election by shareholders at the following Annual General Meeting immediately after his appointment. The Articles also require that one-third of the Directors to retire by rotation and seek re-election at each Annual General Meeting ("AGM") and that each Director shall submit himself for re-election at least once in every three years.

f) Directors Training

All of the directors have attended the Mandatory Accreditation Programme. The directors will continue and are encouraged to undergo other relevant training programmes to enhance their knowledge in the latest statutory and regulatory developments so as to enable them to effectively discharge their responsibilities.

DIRECTORS REMUNERATION

The Remuneration Committee has not been established in the financial year under review. However, in the financial year ending 2003, the Company intends to set up a Remuneration Committee that would contain a majority of Independent Directors.

The primary function of the Remuneration Committee is to review and report to the Board on remuneration and personnel policies, compensation and benefits programmes with the aim to attract, retain and motivate personnel and directors of the highest quality. The determination of remuneration for the Non-Executive Directors will be decided by the Board with the Directors concerned abstaining from deliberations and voting on decisions in respect of their individual remuneration package.

CORPORATE GOVERNANCE STATEMENT

The details of the remuneration of each director who served during the financial year ended 31 December 2002 are as follows:

Aggregate remuneration of directors segregated into appropriate categories:

Remuneration (RM'000)	*Executive directors	Non-executive directors	Total
Fees	-	-	-
Salaries and other emoluments	-	-	-
Bonus	356,000	-	356,000
Benefits-in-kind	-	-	-
Others	28,000	-	28,000
	-	-	-
	<u>384,000</u>	<u>-</u>	<u>384,000</u>

Number of directors whose remuneration falls into following bands:

Range of remuneration	* Number of directors		Total
	Executive directors	Non-executive directors	
Up to RM50,000	2	-	2
RM50,000 to RM100,000	-	-	-
RM100,001 to RM150,000	2	-	2
	<u>4</u>	<u>-</u>	<u>4</u>

* Inclusive of directors who resigned during the financial year.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company recognises the importance of maintaining a constructive and effective communication line with all shareholders, investors and the public in general. For this purpose the Company uses the following shareholders and investors relation programmes to provide up-to-date information to explain its business development and financial achievement and to solicit feedback from shareholders and investors:

- Annual General Meeting / Extraordinary General Meeting
- Public Announcements

Information is disseminated from time to time via the Company's annual reports, circulars to shareholders, quarterly financial results announced through the KLSE. The Annual General Meeting remains the principal forum for dialogue with shareholders, which provides shareholders with opportunity to seek clarifications and to receive suggestions and comments by shareholders for management's consideration.

CORPORATE GOVERNANCE STATEMENT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors aim to provide a balanced and understandable assessment of the Group's financial position and prospects. The Companies Act, 1965 requires the directors to prepare financial statements for each financial year in accordance with the said Act and applicable approved accounting standards in Malaysia.

A statement by the directors of their responsibilities in preparing these financial statements is set out in the ensuing section.

Statement of Directors' Responsibility in respect of the Financial Statements

In accordance with the Companies Act, 1965, the directors are responsible to prepare financial statements which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and of the Group for the relevant period. While preparing those financial statements, the directors are required to:

- ❑ select suitable accounting policies and apply them consistently;
- ❑ state whether applicable approved accounting standards have been applied, subject to any material departures being disclosed and explained in the financial statements;
- ❑ make judgements and estimates that are prudent and reasonable;
- ❑ prepare the financial statements on an on-going concern basis

The directors are also responsible for keeping the accounting records that disclose with reasonable accuracy the financial position of the Company and of the Group and to ensure that the financial statements also comply with the Companies Act, 1965. The directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the detection and prevention of fraud and irregularities.

Internal Control

The Group's internal control is presented in the Statement of Internal Control.

Relationship with Auditors

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Group's auditors, both internal and external. From time to time, the auditors highlighted to the Audit Committee and the Board matters that require the Board's attention.

CORPORATE GOVERNANCE STATEMENT

STATEMENT OF INTERNAL CONTROL

Introduction

The Statement on Internal Control by the Board of Directors on the Group is made pursuant to the KLSE's Listing Requirements and with regard to the Group's compliance with The Principles and Best Practices provisions relating to internal controls provided in the Malaysian Code on Corporate Governance ("Code"). Outlined below is the statement on internal control of the Group for the financial year under review prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance") issued by the KLSE.

Board's Responsibilities

The Board of Directors recognizes the importance of sound internal control for good corporate governance. The Board affirms its overall responsibility for the Group's systems on internal control, which include the establishment of an appropriate control environment and framework as well as reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, it should also be noted that these systems could only provide reasonable but not absolute assurance against material misstatement or loss.

Following the issuance of the Guidance, the Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group that has been put in place for the year and up to the date of approval of the Annual Report and financial statements. The process is regularly reviewed by the Board through its Audit Committee, which is assisted by the Internal Auditors.

Risk Management Framework

The Board is aware that a sound system of internal control should form part of the Group's culture and be embedded in its operations. In order to bring greater awareness of employees towards risk identification, evaluation, control and monitoring, an internal auditor was appointed to draft a Corporate Risk Management Framework for the Group. The framework covers the following initiatives, which were undertaken during the financial year:

- Holding various risk awareness discussions with key managers of the Group to understand the potential and current risks faced by the various operating companies within the Group;

CORPORATE GOVERNANCE STATEMENT

- Formation of a Risk Management team headed by the Internal Auditor at the operation level with the responsibility of continuously reviewing and maintaining risk profiles identified

The risk management process is still ongoing and is currently in the process of issuing a Corporate Risk Management manual that will outline the risk management framework for the Group.

Control and Monitoring Process

The other key elements of the Group's internal control system include:

- An operational structure with defined line of responsibility and delegation of authority.
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A documented delegation of authority with clear lines of responsibility in identifying the approving authority of various transactions;
- Internal policies and procedures which are regularly updated to reflect changing risks or resolve operational deficiencies. Instances of non-compliance with such policies and procedures are reported by its internal audit function to the Board via the Audit Committee;
- Detailed budgeting process requiring all business units to prepare business plans on an annual basis;
- Effective reporting systems which monitor performance and highlight significant variances against budget and plan. Key variances are followed up by management and reported to the Board on a quarterly basis;
- The monitoring of control procedures through management review.

The system of internal control that is on-going at this point of time has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report for the financial year under review.

CORPORATE GOVERNANCE STATEMENT

OTHER INFORMATION

a) Share Buybacks

There was no share buyback during the financial year ended 31 December 2002.

b) Options, Warrants or Convertible Securities Exercise

The Company did not issue any options, warrants or convertible securities in respect of the financial year ended 31 December 2002.

c) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company, Directors or management by the relevant authorities during the financial year ended 31 December 2002.

d) Material Contracts Awarded to Directors and Substantial Shareholders

There were no material contracts of the Company and its subsidiary involving Directors and major shareholders during the financial year ended 31 December 2002.

g) Non Statutory Audit fees payable to External Auditors

The amount of non statutory audit fee payable to the External Auditors for the financial year under review is RM249,000.

AUDIT COMMITTEE REPORT

MEMBERS

Ramli Bin Harun
Chairman, Independent Non-Executive Director

Zailan Bin Othman
Member, Independent Non-Executive Director

Dato' Shamsir Bin Omar
Member, Non-Independent Executive Director

TERMS OF REFERENCE

Composition of Audit Committee

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall not be less than three (3) members, the majority of which shall be independent directors.

The Audit Committee has no authority to act on behalf of the Board but shall have authority to examine all the issues at hand and report back to the Board with recommendations. The Audit Committee shall be governed by the following terms of reference which have been approved by the Board of Directors and which may be amended by the Board from time to time by resolution.

Objectives

The primary objective of the Audit Committee (as a standing committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

Frequency of Meetings

Meetings shall be held not less than three (3) times a year. The external auditors may request a meeting if they consider that one is necessary.

The Company Secretary shall be the Secretary of the Committee.

Authority and Powers

The Committee is authorised by the Board to investigate any activities within its terms of reference. It is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.

AUDIT COMMITTEE REPORT

The Committee will seek approval from the Board to obtain independent legal or other professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary.

Role and Responsibilities

The duties of the Audit Committee include the following:

- ❑ To recommend to the Board the appointment of the external auditors, the audit fees, and matters of resignation or dismissal of external auditors;
- ❑ 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;
- ❑ To discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss (in the absence of management where necessary);
- ❑ To review the quarterly results and year end financial statements, prior to the approval by the Board of Directors focusing particularly on:-
 - a. any change in accounting policies and practices;
 - b. significant adjustments arising from the audit;
 - c. the going concern assumption;
 - d. compliance with accounting standards and other legal requirements.
- ❑ To review the external auditors' letter to management and management's response;
- ❑ To review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its works;
- ❑ To review the internal audit programme, the results of the internal audit processes or investigation undertaken and to ensure that appropriate action is taken on the recommendations of the internal audit function;
- ❑ To review any appraisal or assessment of the performance of the members of the internal audit function;
- ❑ To approve any appointment or termination of senior staff members of the internal audit function;
- ❑ To inform itself of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resigning;
- ❑ To review related party transaction and conflict of interests situation that may arise within the company or the group including any transaction, procedure or course of conduct that raises questions of management integrity;
- ❑ To consider major findings of internal investigations and management's response;
- ❑ To review the risk management framework; and
- ❑ To consider other topics, as defined by the Board.

AUDIT COMMITTEE REPORT

DETAILS OF MEETINGS

The audit committee met three (3) times during the financial year ended 31 December 2002 and details of attendance are as follows:

Ramli Bin Harun	3/3
Zailan Bin Othman	3/3
Dato' Shamsir Bin Omar	3/3

SUMMARY OF AUDIT COMMITTEE ACTIVITIES

- Reviewed the quarterly and year end unaudited financial statements and made recommendations to the Board;
- Discussed and reviewed with external auditors the results of their examination, their auditors' report and management letters in relation to the audit and accounting issues arising from the audit;
- In the process of reviewing and assisting in the development and implementation of sound and effective internal controls and business systems within the Group; and
- Reviewed the Company's compliance with regards to the Revamped Listing Requirements of the KLSE and compliance with the updates of Applicable Approved Accounting Standards in Malaysia.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The primary function of the Internal Audit Department is to assist the Audit Committee in discharging its duties and responsibilities. Its role is to provide the Committee with independent and objective reports on the state of internal controls of the operating units within the Group and the extent of compliance by such units with the Group's established policies and procedures and the regulatory requirements of the relevant authorities.

SHAREHOLDING STRUCTURE

as at 29 May 2003

Authorised Share Capital	:	RM 500,000,000
Issued and fully paid-up	:	RM 168,340,909
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One Vote per share

ANALYSIS OF SHAREHOLDING STRUCTURE

as at 29 May 2003

SIZE OF SHAREHOLDING	NO. OF SHARES	Percentage	No. of Shares Shareholders	Percentage
Less than 1,000	127,186	00.08	372	3.17
1,000 to 10,000	33,626,216	19.98	10,051	85.71
10,001 to 100,000	30,026,937	17.84	1,250	10.66
10,001 to less than 5% of issued shares	29,355,862	17.43	52	0.44
5% and above of issued shares	75,204,708	44.67	2	0.02
Total	168,340,909	100.00	11,727	100.00

SUBSTANTIAL SHAREHOLDERS

as at 29 May 2003

Name of Substantial Shareholder	Direct	PERCENTAGE OF ISSUED CAPITAL
Crest Energy Sdn Bhd	55,136,308	32.75
Arus Murni Sdn Bhd	20,068,400	11.92

SHAREHOLDING STRUCTURE**30 LARGEST SHAREHOLDERS**

as at 29 May 2003

No.	Name of Shareholder	NO. OF SHARES	PERCENTAGE OF ISSUED CAPITAL
1.	Crest Energy Sdn Bhd	55,136,308	32.75
2.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Arus Murni Sdn Bhd	20,068,400	11.92
3.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hood Bin Osman	6,426,404	3.82
4.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Nik Hussain Bin Nik Mohamed	6,426,404	3.82
5.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mekuritek Sdn Bhd	2,264,992	1.35
6.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Thiam Hoe	2,264,992	1.35
7.	Seng Joo Seang	1,876,000	1.11
8.	Yeoh Kean Hua	1,064,000	0.63
9.	Thong & Kay Hian Nominees (Asing) Sdn Bhd	504,000	0.30
10.	Ros Nazira Binti Haji Rasidi	465,000	0.28
11.	Employees Provident Fund	379,375	0.23
12.	Johan Enterprise Sdn Bhd	370,000	0.22
13.	Cheah Kok Cheong	347,000	0.21
14.	BOTLY Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	308,000	0.18
15.	Wong Kie Chie	303,750	0.18
16.	Affin-UOB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chung Kin Chuan	301,000	0.18

SHAREHOLDING STRUCTURE**30 LARGEST SHAREHOLDERS**

as at 29 May 2003

No.	Name of Shareholder	NO. OF SHARES	PERCENTAGE OF ISSUED CAPITAL
17.	Chong Lee Sing	300,000	0.18
18.	Chow Chee Sern @ Chow Tis San	286,000	0.17
19.	BBMB Securities Nominees (Asing) Sdn Bhd OCBC Securities Private Limited for Ong Hock Cheng	270,000	0.16
20.	Kota Bharu Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Kok @ Chua Soo Hock	265,000	0.16
21.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chia Siang Wu	206,000	0.12
22.	Chor Sek Choon	200,000	0.12
23.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeow Kheng Chew	200,000	0.12
24.	HDM Nominees (Asing) Sdn Bhd Phillip Securities Pte. Ltd. For Tjia Jen Jen	188,750	0.11
25.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Salmahanim Binti Abu Hassan	188,000	0.11
26.	Normadiyah Binti Abdullah	186,000	0.11
27.	Chew Huaipin Sdn Bhd	177,500	0.11
28.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mak Ngia Ngia @ Mak Yoke Lum	173,000	0.10
29.	Cheng Thai Sdn Bhd	172,500	0.10
30.	Menteri Kewangan Malaysia	170,195	0.10
Total		101,488,570	60.29

Company No: 19727 P

ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December, 2002.

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 10 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Loss after taxation	<u>(2,233)</u>	<u>(1,139)</u>

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

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

DIVIDEND

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

DIRECTORS

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

Dato' Shamsir bin Omar
Muhamed bin Abdul Rahman
Tan Lam Hin
Ramli bin Harun
Zailan bin Othman
Mohamad Malik bin Jamal Mohamed

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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 related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amounts written off as bad debts or provided for as doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

Company No: 19727 P

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year on which this report is made.

SIGNIFICANT EVENTS

The significant events are as disclosed in Note 22 to the financial statements.

Company No: 19727 P

AUDITORS

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

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

DATO' SHAMSIR BIN OMAR

MUHAMED BIN ABDUL RAHMAN

Kuala Lumpur, Malaysia
Date: 17 April, 2003

Company No: 19727 P

**ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)**

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

We, DATO' SHAMSIR BIN OMAR and MUHAMED BIN ABDUL RAHMAN, being two of the directors of ARUS MURNI CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 60 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December, 2002 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

DATO' SHAMSIR BIN OMAR

MUHAMED BIN ABDUL RAHMAN

Kuala Lumpur, Malaysia
Date: 17 April, 2003

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

I, DATO' SHAMSIR BIN OMAR, being the Director primarily responsible for the financial management of ARUS MURNI CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 60, are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed DATO' SHAMSIR BIN OMAR
at Kuala Lumpur in Federal Territory on
17 April, 2003

DATO' SHAMSIR BIN OMAR

Before me,

Commissioner for Oaths

Company No: 19727 P

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 31 to 60. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December, 2002 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

Company No: 19727 P

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ARUS MURNI CORPORATION BERHAD (CONTD.)
(Incorporated in Malaysia)**

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

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

Without qualifying our opinion, we draw attention to Note 2(a) of the financial statements which states that the financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and liquidation of liabilities in the normal course of business. During the year, the Group and the Company incurred further losses of RM2,233,000 and RM1,139,000 respectively and reflected a deficit in cashflows used in operating activities of RM2,538,000 and RM2,185,000 respectively. The ability of the Group and of the Company to continue as going concerns is dependent on successfully implementing the proposed acquisitions as elaborated in Note 22 to the financial statements on a timely basis, achieving profitable operations and generating adequate cashflows for its operating activities. The financial statements of the Group and of the Company do not include any adjustments relating to amounts and classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

ERNST & YOUNG
AF: 0039
Chartered Accountants

George Koshy
1846/07/03(J)
Partner

Kuala Lumpur, Malaysia
Date: 17 April, 2003

Company No: 19727 P

**ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)**

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2002**

	Note	2002 RM'000	2001 RM'000
Revenue	3	1,674	2,077
Cost of sales	4	<u>(2,657)</u>	<u>(1,841)</u>
Gross (loss) / profit		(983)	236
Other operating income		49	392
Administrative expenses		(789)	(1,411)
Other operating expenses		<u>(510)</u>	<u>(1,174)</u>
Loss from operations	5	(2,233)	(1,957)
Finance cost	7	<u>-</u>	<u>(135)</u>
Loss before taxation		(2,233)	(2,092)
Taxation	8	<u>-</u>	<u>(45)</u>
Net loss for the year		<u>(2,233)</u>	<u>(2,137)</u>
Loss per share (sen)	9	<u>(1)</u>	<u>(1)</u>

The accompanying notes are an integral part of the financial statements.

Company No: 19727 P

ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, 2002

	Note	2002 RM'000	2001 RM'000
CURRENT ASSETS			
Land and development expenditure	11	11,760	11,368
Trade receivables	12	237	557
Other receivables	13	2,316	1,907
Marketable securities	14	722	-
Fixed deposits	15	-	2,834
Cash and bank balances	16	70	215
		<u>15,105</u>	<u>16,881</u>
CURRENT LIABILITIES			
Short term borrowings	17	5,059	4,820
Trade payables	18	1,954	1,192
Other payables	19	3,376	3,920
Taxation		107	107
		<u>10,496</u>	<u>10,039</u>
NET CURRENT ASSETS		<u>4,609</u>	<u>6,842</u>
FINANCED BY:			
Share capital	20	168,341	168,341
Reserves		<u>(163,732)</u>	<u>(161,499)</u>
Shareholders' equity		<u>4,609</u>	<u>6,842</u>

The accompanying notes are an integral part of the financial statements.

Company No: 19727 P

ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2002

	<-----Reserves----->			
	Share capital RM'000	Non distributable Share premium RM'000	Accumulated losses RM'000	Total RM'000
At 1 January, 2001	168,341	317,358	(476,720)	8,979
Net loss for the year	-	-	(2,137)	(2,137)
At 31 December, 2001	168,341	317,358	(478,857)	6,842
Net loss for the year	-	-	(2,233)	(2,233)
At 31 December, 2002	168,341	317,358	(481,090)	4,609

The accompanying notes are an integral part of the financial statements.

Company No: 19727 P

ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2002

	2002	2001
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,233)	(2,092)
Adjustment for:		
Foreseeable losses / (attributable profits)	1,068	(515)
Bad debts written off	28	1
Depreciation	-	539
Fixed deposits written off	138	-
Gain on disposal of property, plant and equipment	(42)	(368)
Interest income	(85)	(96)
Interest expense	-	135
Property, plant and equipment written off	-	155
Provision for doubtful debts	-	4
Operating loss before working capital changes	<u>(1,126)</u>	<u>(2,237)</u>
(Increase) / decrease in receivables	(32)	1,951
Increase in land and development expenditure	(921)	(1,263)
Increase / (decrease) in payables	<u>2,192</u>	<u>(63)</u>
Cash flow generated from / (used in) operations	113	(1,612)
Commitment and contingencies settled	(2,112)	-
Interest received	-	96
Interest paid	<u>(539)</u>	<u>(509)</u>
Net cash flow used in operating activities	<u>(2,538)</u>	<u>(2,025)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed deposits converted into marketable securities	(722)	-
Proceeds from disposal of property, plant and equipment	42	582
Net cash flow (used in) / generated from investing activities	<u>(680)</u>	<u>582</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	239	982
Repayment of hire purchase	-	(85)
Net cash flow generated from financing activities	<u>239</u>	<u>897</u>

Company No: 19727 P

**ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)**

CONSOLIDATED CASH FLOW STATEMENT (CONTD)

	2002	2001
	RM'000	RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		
EQUIVALENTS	(2,979)	(546)
CASH AND CASH EQUIVALENTS FROM SUBSIDIARIES		
ACQUIRED (Note 10)	-	353
CASH AND CASH EQUIVALENTS AT THE BEGINNING		
OF YEAR	<u>3,049</u>	<u>3,242</u>
CASH AND CASH EQUIVALENTS AT THE END		
OF YEAR	<u>70</u>	<u>3,049</u>
Cash and cash equivalents comprise:		
Cash and bank balances	70	215
Fixed deposits	-	2,834
	<u>70</u>	<u>3,049</u>

The accompanying notes are an integral part of the financial statements.

Company No: 19727 P

ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2002

	Note	2002 RM'000	2001 RM'000
Revenue	3	85	96
Other operating income		42	351
Administrative expenses		(789)	(1,382)
Other operating expenses		(477)	(801)
Loss from operations	5	(1,139)	(1,736)
Finance cost	7	-	(120)
Loss before taxation		(1,139)	(1,856)
Taxation	8	-	-
Net loss for the year		(1,139)	(1,856)

The accompanying notes are an integral part of the financial statements.

Company No: 19727 P

ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER, 2002

	Note	2002 RM'000	2001 RM'000
NON-CURRENT ASSETS			
Investment in subsidiaries	10	<u>7,936</u>	<u>7,936</u>
CURRENT ASSETS			
Other receivables	13	515	49
Marketable securities	14	722	-
Fixed deposits	15	-	2,834
Cash and bank balances		<u>4</u>	<u>35</u>
		<u>1,241</u>	<u>2,918</u>
CURRENT LIABILITY			
Other payables	19	<u>3,057</u>	<u>3,595</u>
NET CURRENT LIABILITIES			
		<u>(1,816)</u>	<u>(677)</u>
		<u>6,120</u>	<u>7,259</u>
FINANCED BY:			
Share capital	20	168,341	168,341
Reserves		<u>(162,221)</u>	<u>(161,082)</u>
Shareholders' equity		<u>6,120</u>	<u>7,259</u>

The accompanying notes are an integral part of the financial statements.

Company No: 19727 P

ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2002

	<-----Reserves----->			
	Share capital RM'000	Non distributable Share premium RM'000	Accumulated losses RM'000	Total RM'000
At 1 January, 2001	168,341	317,358	(476,584)	9,115
Net loss for the year	-	-	(1,856)	(1,856)
At 31 December, 2001	168,341	317,358	(478,440)	7,259
Net loss for the year	-	-	(1,139)	(1,139)
At 31 December, 2002	168,341	317,358	(479,579)	6,120

The accompanying notes are an integral part of the financial statements.

Company No: 19727 P

ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2002

	2002	2001
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,139)	(1,856)
Adjustment for:		
Bad debts written off	28	-
Depreciation	-	510
Fixed deposits written off	138	-
Gain on disposal of property, plant and equipment	(42)	(351)
Interest income	(85)	(96)
Interest expense	-	120
Property, plant and equipment written off	-	125
Provision for doubtful debts	2	4
Operating loss before working capital changes	<u>(1,098)</u>	<u>(1,544)</u>
(Increase) / decrease in receivables	(409)	353
Increase in payables	1,434	432
Cash flow used in operations	<u>(73)</u>	<u>(759)</u>
Commitments and contingencies settled	(2,112)	-
Interest received	-	96
Interest paid	-	(120)
Net cash flow used in operating activities	<u>(2,185)</u>	<u>(783)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed deposits converted into marketable securities	(722)	-
Proceeds from disposal of property, plant and equipment	42	512
Net cash flow (used in) / generated from investing activities	<u>(680)</u>	<u>512</u>
CASH FLOW FROM FINANCING ACTIVITY		
Repayment of hire purchase	-	(85)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,865)	(356)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		
OF YEAR	<u>2,869</u>	<u>3,225</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>4</u>	<u>2,869</u>

Company No: 19727 P

**ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)**

CASH FLOW STATEMENT (CONTD)

	2002	2001
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	4	35
Fixed deposits	-	2,834
	<u>4</u>	<u>2,869</u>

The accompanying notes are an integral part of the financial statements.

Company No: 19727 P

**ARUS MURNI CORPORATION BERHAD
(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2002**

1. CORPORATE INFORMATION

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

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

The registered office of the Company is located at 20th Floor, East Wing, Plaza Permata, No. 6, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur.

The number of employees in the Group and in the Company at the end of the year was 8 (2001 : 11) and 8 (2001 : 11) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 April, 2003.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

The application of the going concern premise is based on the fact that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business. During the year, the Group and the Company incurred further losses of RM2,233,000 and RM1,139,000 respectively and reflected a deficit in cashflow used in operating activities of RM2,538,000 and RM2,185,000 respectively. The ability of the Group and of the Company to continue as going concerns are dependent on successfully implementing the proposed acquisitions as elaborated in Note 22 on a timely basis, achieving profitable operations and generating adequate cashflows for its operating activities. The financial statements of the Group and of the Company do not include any adjustments relating to the amounts and classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

Company No: 19727 P

The following accounting policies adopted by the Group and the Company are consistent with those adopted in the previous financial year except for the adoption of the following new Approved Accounting Standards issued by the Malaysian Accounting Standards Board. ("MASB"):

- i) MASB 21, Business Combinations
- ii) MASB 22, Segment Reporting
- iii) MASB 23, Impairment of Assets
- iv) MASB 24, Financial Instruments: Disclosures and Presentation

Except for MASB 23, which is applied prospectively, the other standards are applicable retrospectively. Other than the comparative figures which have been adjusted to conform with the changes in presentation as required by MASB 22, comparatives have not been restated as no prior year adjustments are required and as the application of this standard has no material impact on the financial statements. The adoption of MASB 24 resulted in the new disclosure format as set out in Note 25. As allowed under the transitional provision of this standard, comparative information for prior periods is not disclosed.

- v) MASB 27, Borrowing Costs

The Group and the Company have applied MASB 27 prior to its effective date. This standard is applied retrospectively. Comparatives have not been restated as the application of this standard has no material impact on the financial statements.

(b) Basis of Consolidation

Consolidated financial statements include the financial statements of the Company and all its subsidiaries except for non-consolidated subsidiary namely Kewangan Bersatu Berhad and its subsidiaries, KBB Nominees (Tempatan) Sdn. Bhd. and KBB Properties Sdn. Bhd. The reasons for the non-consolidation are disclosed in Note 10. Subsidiaries are those companies in which the Group holds, directly or indirectly, more than 50% of their respective issued voting share capital as long term investments and the Group has power to exercise control over their financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising from consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

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The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is amortised on a straight-line basis over its estimated useful life of not more than 10 years.

(d) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (l).

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 its estimated useful life at the following annual rates:

Office equipment, renovation, furniture and fittings	10% - 30%
Motor vehicles	20%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(f) Development Properties and Land Held For Development

Land and development expenditure are classified as development properties when significant development work has been undertaken and is expected to be completed within the normal operating cycle. Development properties are stated at cost plus attributable profits less foreseeable losses and progress billings. Costs include cost of land, all direct building costs and other related development expenditure, including interest expenses incurred during the period of active development.

Land held for development consist of land held for future development where no significant development has been undertaken, and is stated at cost. Costs include cost of land and attributable development expenditure. Such assets are classified as development properties when significant development work has been undertaken and the development is expected to be completed within the normal operating cycle.

(g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and short term deposits which have an insignificant risk of changes in value.

(h) Hire Purchase

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 2(e) above. The corresponding outstanding obligations due under the hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance expenses are charged to the income statements over the period of the respective agreements based on the interest rate in the agreements.

(i) Deferred Taxation

The tax expense for the year is based on the profit for the year as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided by the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(j) Provision for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provision for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Development Properties

Revenue from sale of development properties is accounted for by the percentage of completion method. The percentage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

(ii) Interest Income

Interest income is recognised on an accrual basis.

(l) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than assets arising from construction contracts and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amounts are the higher of net selling price and value in use, which are measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal 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.

(m) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while the market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

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(ii) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. 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.

(iii) Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity.

3. REVENUE

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Sale of development properties	1,589	1,981	-	-
Interest income	85	96	85	96
	<u>1,674</u>	<u>2,077</u>	<u>85</u>	<u>96</u>

4. COST OF SALES

Cost of sales represents contract cost recognised as an expense and cost of development properties sold.

5. LOSS FROM OPERATIONS

Loss from operations is stated after charging / (crediting):

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Auditors' remuneration				
- statutory audit	44	38	30	30
- other services	29	23	13	7
Bad debts written off	28	1	28	-
Depreciation	-	539	-	510
Directors' remuneration (Note 6)	356	353	356	353
Fixed deposits written off	138	-	138	-
Gain on disposal of property, plant and equipment	(42)	(368)	(42)	(351)
Property, plant and equipment written off	-	155	-	125
Provision for doubtful debts				
- intercompany balances	-	-	2	-
- others	-	4	-	4
Rental of equipment	5	4	5	4
Rental of premises	20	15	20	15
Staff cost	433	519	433	519

6. DIRECTORS' REMUNERATION

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	356	353	356	353
Meeting allowances	-	22	-	22
Benefits in kind	28	28	28	28
	<u>384</u>	<u>403</u>	<u>384</u>	<u>403</u>
Non-Executive:				
Meeting allowances	-	16	-	16
Total	<u>384</u>	<u>419</u>	<u>384</u>	<u>419</u>

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	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	356	375	356	375
Total non-executive directors' remuneration excluding benefits-in-kind	-	16	-	16
Total directors' remuneration excluding benefits-in-kind	<u>356</u>	<u>391</u>	<u>356</u>	<u>391</u>

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2002	2001
Executive directors:		
RM50,000 and below	2	1
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	2	2
Non-executive directors:		
Below RM50,000	-	3

7. FINANCE COST

Included in finance cost of the Group and of the Company in the prior year is interest on hire purchase amounting to RM135,000 and RM120,000 respectively.

8. TAXATION

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current year's provision	-	45	-	-
	<u>-</u>	<u>45</u>	<u>-</u>	<u>-</u>

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

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As at 31 December, 2002, the Company has unabsorbed tax losses of approximately RM73,000,000 (2001: RM72,000,000) and unutilised capital allowances of approximately RM2,100,000 (2001: RM2,100,000), which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

As at 31 December, 2002, the Company has a potential deferred tax benefit of approximately RM21,028,000 (2001 : RM20,748,000), arising principally from unabsorbed 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.

9. LOSS PER SHARE

Basic loss per share of the Group is calculated by dividing the net loss for the year of RM2,233,000 (2001 : RM2,137,000) by the weighted average number of ordinary shares in issue during the financial year of 168,341,000 (2001 : 168,341,000).

There are no shares in issuance which have a dilutive effect to the loss per share of the Group.

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2002	2001
	RM'000	RM'000
Unquoted shares, at cost	482,415	482,415
Less: Accumulated impairment losses	(474,479)	(474,479)
	<u>7,936</u>	<u>7,936</u>

(a) The subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name of Company	Paid-up Capital RM	Interest 2002 %	2001 %	Principal Activities
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

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Name of Company	Paid-up Capital RM	Interest 2002 %	2001 %	Principal Activities
- 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	Money lending - dormant
Megasanjung Sdn. Bhd.	2	100	100	Property management - dormant
Bitarex Sdn. Bhd.	4,000,000	100	100	Investment holding
Angkasa Lampiran Sdn. Bhd.	300,000	100	100	Property developer

* Audited by firms of auditors other than Ernst & Young.

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.

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 as the directors are of the opinion that the Company has lost effective control in KBB Group since the control and management of the affairs of KBB Group have been assumed by BNM since 4 January, 1999. Consequently, the audited financial statements of KBB Group for the financial year ended 31 December, 2002 will not be annexed to the Group financial statements as exempted by the Assistant Registrar of Companies on 31 January, 2003.

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(b) Acquisition of subsidiaries

On 5 November, 2001, the Group acquired 100% equity interest in Bitarex Sdn. Bhd. and Angkasa Lampiran Sdn. Bhd. as full and final settlement in relation to a Settlement and Compromise Agreement signed on 5 November, 2001.

The effects of the acquisition on the financial results of the Group from the date of acquisition to 31 December, 2001 were as follows:

	RM'000
Revenue	5
Operating cost	-
Net profit	<u>5</u>

The summary effects of the acquisition on the financial position of the Group as at 31 December, 2001 were as follows:

	31.12.2001
	RM'000
Land and development expenditure	11,849
Trade and other receivables	4,726
Cash and bank balances	162
Short term borrowings	(4,820)
Trade and other payables	(3,599)
Group's share of net assets	<u>8,318</u>

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	5.11.2001
	RM'000
Net assets acquired	
Land and development expenditure	9,590
Trade and other receivables	4,365
Cash and bank balances	353
Short term borrowings	(4,212)
Trade and other payables	(2,160)
Net assets / total purchase consideration	<u>7,936</u>
Less: Cash and cash equivalents of subsidiaries acquired	(353)
Purchase consideration discharged via the recovery of advances previously given	<u>7,583</u>

11. LAND AND DEVELOPMENT EXPENDITURE

	Group	
	2002	2001
	RM'000	RM'000
Cost:		
Freehold land	5,631	5,631
Development expenditure	11,824	8,775
(Foreseeable losses) / attributable profits	(553)	515
	<u>16,902</u>	<u>14,921</u>
Less: Progress billings received and receivable	(5,142)	(3,553)
	<u>11,760</u>	<u>11,368</u>

The freehold land of the Group has been charged as security for its short term borrowings as disclosed in Note 17.

Included in development expenditure of the Group is interest capitalised during the financial year amounting to RM539,000 (2001 : RM374,000).

Cost of development properties of the Group recognised as an expense during the financial year amounted to RM2,657,000 (2001: RM1,841,000).

12. TRADE RECEIVABLES

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

The Group's normal trade credit term is 30 days. Other credit terms are assessed and approved on a case-by-case basis.

13. OTHER RECEIVABLES

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Due from subsidiaries	-	-	4,045	4,043
Cost incurred for proposed acquisitions (i)	397	-	397	-
Deposits for proposed acquisition of investments (ii)	39,000	39,000	39,000	39,000
Interest receivable	85	-	85	-
Sundry receivables	1,834	1,907	33	49
Tax refundable	2,715	2,715	2,715	2,715
	<u>44,031</u>	<u>43,622</u>	<u>46,275</u>	<u>45,807</u>
Less: Provision for doubtful debts	(41,715)	(41,715)	(45,760)	(45,758)
	<u>2,316</u>	<u>1,907</u>	<u>515</u>	<u>49</u>

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- (i) The cost incurred for the proposed acquisitions will be capitalised as part of cost of investment upon completion as allowed under MASB 21.
- (ii) The Group and the Company have commenced legal action to recover the deposits paid in the previous years for various acquisitions which were mutually aborted amounting to RM39,000,000. There has been no further development during the financial year as the Company has changed its solicitors acting on this matter, who are currently familiarising themselves with the legal action.

The Group has no other significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

14. MARKETABLE SECURITIES

	Group and Company	
	2002	2001
	RM'000	RM'000
Quoted shares at cost in Malaysia	722	-
Market value of quoted shares	737	-

15. FIXED DEPOSITS

The fixed deposits, which in the prior year, were placed with a financial corporation, were pledged for investment facilities granted to the Company. In the current financial year, the investment facilities were cancelled and the deposits were repaid by the financial corporation as follows:

- 1) transfer of quoted shares amounting to RM722,000;
- 2) settlement of claims by the financial corporation amounting to RM1,974,000 as disclosed in Note 19; and
- 3) writing off of the balance of the amount due to the income statement.

The weighted average interest rate during the financial year was 2.9% and the average maturities of deposits were 30 days.

16. CASH AND BANK BALANCES

Included in the cash and bank balances of the Group is RM44,000 (2001 : RM159,000) maintained pursuant to the Housing Developers (Housing Development Account) Regulations, 1991.

17. SHORT TERM BORROWINGS

	Group	
	2002	2001
	RM'000	RM'000
Secured:		
Term loans	4,059	3,820
Bridging loan	1,000	1,000
	<u>5,059</u>	<u>4,820</u>

The weighted average effective interest rate during the financial year for borrowings was 9.5% (2001: 9.5%). The loans are secured on the following:

- (a) A first and third party legal charge created on the land owned by a subsidiary, Bitarex Sdn. Bhd.
- (b) A debenture incorporating a fixed and floating charge over all present and future assets of Angkasa Lampiran Sdn. Bhd.
- (c) Joint and several guarantee by all the directors of Angkasa Lampiran Sdn. Bhd.

18. TRADE PAYABLES

The normal trade credit term granted to the Group is 30 days.

19. OTHER PAYABLES

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Sundry payables	2,166	1,433	1,570	782
Accruals	870	173	797	149
Amount due to a subsidiary	-	-	350	350
Provision for commitments and contingencies	-	1,974	-	1,974
Hire purchase payables (Note 21)	340	340	340	340
	<u>3,376</u>	<u>3,920</u>	<u>3,057</u>	<u>3,595</u>

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The amounts due to a subsidiary are unsecured, interest free and have no fixed terms of repayment.

In prior years, the Group and the Company received claims from a financial corporation amounting to approximately RM1,974,000 which was provided for as a provision for commitments and contingencies. During the financial year, the directors entered into a settlement with the financial corporation for the settlement of the amounts outstanding and an agreement was reached to set off the claims by the financial corporation against the fixed deposit amounts owing to the Company by the financial corporation as disclosed in Note 15.

20. SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	2002	2001	2002	2001
	'000	'000	RM'000	RM'000
Authorised:				
At 1 January/31 December	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 January/31 December	<u>168,341</u>	<u>168,341</u>	<u>168,341</u>	<u>168,341</u>

21. HIRE PURCHASE PAYABLES

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Future minimum payments:				
Payable within one year	430	430	430	430
Less: Finance charges	<u>(90)</u>	<u>(90)</u>	<u>(90)</u>	<u>(90)</u>
	<u>340</u>	<u>340</u>	<u>340</u>	<u>340</u>

At the end of the previous financial year, the assets attached to the hire purchase facilities were surrendered to the hire purchase companies. No payment was made in the current year as the Company has not been informed as to the actual amount owing to the hire purchase companies net of the surrendered value of the assets.

22. SIGNIFICANT EVENTS

(a) The Company,

- (i) On 28 February, 2001 announced that it was considered to be an affected listed issuer pursuant to the requirement of Practice Note 4/2001 ("PN4") issued by the Kuala Lumpur Stock Exchange ("KLSE"). The Company was hence required to regularise its financial conditions within the time frame stipulated by the PN4 failing which it might be regarded as a listed issuer whose financial conditions could not warrant continued trading and/or listing.
- (ii) On 10 September, 2002, announced that it was considered to be an affected listed issuer pursuant to the requirement of Practice Note 10/2001 ("PN10") issued by the KLSE. The Group was hence required to make an announcement to the KLSE of its plans to ensure an adequate level of operations to warrant continued trading and / or listing on the Main Board of the KLSE, failing which the Company's shares would remain suspended and / or the Company may be delisted, and
- (iii) On 24 September, 2002, no longer triggered any criteria under Paragraph 2.0 of PN4 based on its latest audited financial statements for the financial year ended 31 December, 2001 and accordingly was reclassified from the "PN 4 Condition" sector to the Trading/Services sector of the Main Board of the KLSE.

(b) The Company on 8 October, 2002 announced the following proposed acquisitions:

- (i) The entire equity interest in Jernih Makmur Sdn Bhd ("JMSB"), a company incorporated in Malaysia, comprising the enlarged share capital of 1,000,000 JMSB Shares of RM1.00 each for a total consideration of RM50,000,000 to be satisfied via the issuance of 250,000,000 units nominal value RM0.20 per unit 3 year 0.5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at an issue price of RM0.20 per unit. The principal activity of the company is that of commercial trading.

JMSB has entered into a Conditional Sales and Purchase Agreement with Yakin Mother Earth Sdn Bhd ("YMESB") to acquire a Timber Concession held within the Lebir Forest Reserve in the Mukim of Relai, District of Chiku, Jajahan Gua Musang, Kelantan for a consideration of RM20,000,000. The Timber Concession comprises a balance of 9,000 acres of virgin forest to be logged over a period of 9 years at a rate of 1,000 acres per annum as permitted by a letter of approval of the Timber Concession issued by Jabatan Perhutanan Negeri Kelantan.

The agreement is conditional upon YMESB obtaining written confirmation from the Kelantan State Government that the State Government has no objections to the transfer of the Rights to the Timber Concession. An approval in principle was obtained from the Kelantan State Government on 1 December, 2002. The completion of the acquisition by JMSB is pending the transfer of the title of the timber concession to the Company; and

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- (ii) The entire equity interest in Consistent Harvest Sdn Bhd ("CHSB"), a company incorporated in Malaysia, comprising the enlarged share capital of 1,000,000 CHSB Shares of RM1.00 each for a total consideration of RM85,000,000 to be satisfied via the issuance of 425,000,000 units nominal value RM0.20 per unit of 3 year 0.5% ICULS at an issue price of RM0.20 per unit. The principal activity of the company is that of letting of property and property investment holding.

CHSB has entered into a Conditional Sales and Purchase Agreement with TC Development Sdn Bhd ("TDSB") to acquire a property held under Lots PT4611 and PT4619 in the municipality and District of Seremban for a consideration of RM35,000,000. The property comprises 3 components namely a 3 1/2 storey shopping complex with a net lettable area of approximately 20,168.88 sq meters and a 296 bay lower ground car park level, an approval for an additional 1 1/2 storeys above the existing complex at the rooftop and a 2 acre parcel of adjacent commercial land for future development. The acquisition by CHSB was approved by the Foreign Investment Committee ("FIC") on 24 March, 2003 and its completion is pending the discharge of the encumbrances on the property.

The proposed acquisitions of JMSB and CHSB are pending the approval of the regulatory authorities and will be subject to the approval of the shareholders. Both of the proposed acquisitions were approved by the FIC on 24 March, 2003.

23. PROFIT GUARANTEE

In the prior 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.

However, the Company initiated legal action for the recovery of the shortfall in the guaranteed profit of RM134,321,000 for the financial year ended 31 December, 1997 and obtained judgement from the High Court in favour of the Company. The Company's solicitors have served the judgement on AMSB on 15 January, 2003 and the Company is currently deliberating as to the next course of action to be taken for the recovery of the judgement sum. On a prudent basis, the recovery of the judgement sum will be included in the financial statements of the Company on a receipt basis.

As at to date, no action has been initiated in relation to the shortfall in the guaranteed profits for the financial years ended 31 December, 1998 and 1999.

24. COMPARATIVE FIGURES

The comparative figures have been audited by a firm of chartered accountants other than Ernst & Young.

25. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are established by the Audit Committee and approved by the board.

(b) Interest Rate Risk

The Group's exposure to market risks for changes in interest rate risk relate primarily to the Group's borrowing arrangement. The Group's policy is to borrow only from large financial institutions with a "fixed" base lending rate ("BLR") as determined by Bank Negara Malaysia and an agreed spread above the BLR in order to determine the maximum exposure of the Group to interest rate risk. This strategy allows the Group to protect its interest exposure against interest rate hikes.

Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

(c) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(d) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting process.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(e) Fair Values

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

(i) Marketable securities

The fair values of marketable securities are estimated based on quoted market prices.

(ii) Trade and other receivables / payables

The historical cost carrying amount of receivables and payables subject to normal trade credit terms approximates fair value. The carrying amounts of other receivables and payables are reasonable estimates of fair value because of their short maturity.

(iii) Cash and bank balances and short term borrowings

The carrying amount of cash and bank balances and short term borrowings approximates fair value due to the relatively short-term maturity of these instruments.

26. SEGMENTAL REPORTING

(a) Business Segments

The Group is organised into two major business segments:

(i) Property development - the development of residential properties.

(ii) Investment holding

The other business segments are of insufficient size to be reported separately.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Geographical Segments

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

Company No: 19727 P

	Property Development		Investment Holding		Others		Eliminations		Consolidated	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
REVENUE AND EXPENSES										
Revenue	1,589	1,981	85	96	-	-	-	-	1,674	2,077
Result										
Segment results	(1,083)	176	(1,139)	(1,736)	(12)	(69)	1	(328)	(2,233)	(1,957)
Finance cost									-	(135)
Loss before taxation									(2,233)	(2,092)
Taxation									-	(45)
Loss after taxation									(2,233)	(2,137)
ASSETS AND LIABILITIES										
Segment assets	13,847	13,947	1,241	2,917	17	17			15,105	16,881
Segment liabilities	7,550	6,566	2,707	3,245	239	228			10,496	10,039
OTHER INFORMATION										
Depreciation	-	-	-	510	-	29			-	539
Non cash expenses other than depreciation	-	-	166	129	-	31			166	160

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 on my/our behalf at Twenty-Eighth Annual General Meeting of the Company to be held at the East VIP Lounge, First Floor, Kuala Lumpur on Thursday, 19 June 2003, at 9.30 a.m. or any adjournment thereof.

My/our proxy is to vote as indicated below:

No	Resolution	For	Against
1.	Approval and Adoption of Statutory Financial Statements for the Year ended 31 December 2002		
2.	Re-election of Dato' Shamsir bin Omar as a Director of the Company		
3.	Re-election of Tan Lam Hin as a Director of the Company		
4.	To appoint Messrs. Ernst & Young as Auditors and to authorise Directors to fix their remuneration.		
5.	Special Business Approval of Ordinary Resolution pursuant to Section 132D of the Companies Act, 1965		

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

Number of Ordinary Shares Held	
--------------------------------	--

Date

Signature / Seal of Shareholders

Notes:

- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company.
- Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit the said Securities account.
- 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.
- 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 or join in demanding a poll.
- Unless voting instructions are indicated in the spaces provided 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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