Company No: 19727-P

22. BORROWINGS

	Group 2003 RM'000	2002 RM'000
Secured:		
Term loans	3,130	4,059
Bridging loan	-	1,000
	3,130	5,059
Maturity of borrowings:		
Within one year	844	5,059
More than 2 years and less than 5 years	2,286	-
	3,130	5,059

The weighted average effective interest rate at the balance sheet date for borrowings, was 9.4% (2002: 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.

On 23 September, 2003, the financial institution restructured the term loans and agreed to waive interests amounting to approximately RM2.4 million out of the total outstanding amount of RM5.6 million comprising a bridging loan and term loan of RM1 million and RM4.6 million respectively. The outstanding loan amount is repayable over the next three years on or before 1st September 2006 via the collections from the sale of unsold units in Phase 1 and the collections from the sale of the 129 new units of Phase 2 of the Casuarina project being developed by Angkasa Lampiran Sdn Bhd.

23. TRADE PAYABLES

The normal trade credit term granted to the Group is 30 (2002: 30) days.

Company No: 19727-P

24. OTHER PAYABLES

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Sundry payables	2,964	2,166	2,188	2,138
Accruals	587	870	60	229
Amount due to a subsidiary	-	-	673	350
Hire purchase payables (Note 27)	370	340	370	340
	3,921	3,376	3,291	3,057

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

25. SHARE CAPITAL

	Number of Ordinary Shares of RM1 each 2003 '000	Number of Ordinary Shares of RM1 each 2002 '000	Amount 2003 RM'000	Amount 2002 RM'000
Authorised:	500,000	500,000	500,000	500,000
Issued and fully paid:				
At beginning of year	168,341	168,341	168,341	168,341
Conversion of ICULS	10,000	-	10,000	-
At end of year	178,341	168,341	178,341	168,341

26. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

On 25 August, 2003, the Company issued RM122,738,611 comprising 613,693,055 nominal values of 3 year 0.5% ICULS at a nominal value of RM0.20 each for the purpose of acquiring the two new subsidiaries as disclosed in Note 14 (b).

The ICULS are regarded as equity instruments. Under the effective interest rate method, the interest expense of the ICULS is computed by applying the prevailing market interest rate for a similar non redeemable loan stocks to the instrument. The difference between this amount and the interest paid is considered as the liability component of the ICULS. The ICULS are accounted for in the balance sheet of the Group and of the Company as follows:

Company No: 19727-P

26. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (CONT'D.)

	2003 RM'000	2002 RM'000
Nominal value of ICULS issued	122,739	-
Nominal value of ICULS converted into share capital	-10,000	-
Nominal value of ICULS outstanding at balance sheet date	112,739	-
Equity component	111,286	-
Liability component at date of issue	1,453	-
Interest expense (Note 8)	188	-
Liability component at 31 December	1,641	-

Interest expense on the ICULS is calculated on the effective yield basis by applying the coupon interest rate of 8% for an equivalent non-convertible ICULS on the equity component of the convertible ICULS.

The ICULS are constituted by a Trust Deed dated 14 July, 2003 made between the Company and the Trustees for the holders of the ICULS. The main features of the ICULS are as follows:

(a) Conversion rights - the registered holders of the ICULS will have the option at any time during the conversion period to convert the ICULS at the conversion rate into new ordinary shares of RM1 each in the Company.

(b) Conversion rate - in the basis of five (5) ICULS for one (1) new ordinary share of RM1 in the Company.

(c) Conversion period - period commencing from and including 25 August, 2003 to the maturity date of 24 August, 2006.

(d) All outstanding ICULS will be mandatorily converted in full by the Company on 24 August, 2006into ordinary shares of RM1 each in the Company.

(e) The ICULS bear interest at 0.5% per annum payable annually in arrears, with the first payment due on 24 August, 2004.

(f) The new ordinary shares to be alloted and issued upon conversion of the ICULS will rank pari passu in all respects with the existing ordinary shares of the Company save and except that they shall not be entitled to any dividends, rights, allotment and/or other distributions, prior to the entitlement date of which is on or before the date of allotment and issue of the Company's shares pursuant to the conversion of the ICULS.

Company No: 19727-P

27. HIRE PURCHASE PAYABLES

	Group/Company 2003 RM'000	2002 RM'000
Minimum lease payments:		
Not later than 1 year	418	378
Later than 1 year and not later than 2 years	40	-
Later than 2 years and not later than 5 years	121	-
Later than 5 years	157	-
	736	378
Less: Future finance charges	(126)	(38)
Present value of finance lease liabilities	610	340
Present value of finance lease liabilities:		
Not later than 1 year	370	340
Later than 1 year and not later than 2 years	30	-
Later than 2 years and not later than 5 years	91	-
Later than 5 years	119	-
	610	340
Analysed as:		
Due within 12 months (Note 24)	370	340
Due after 12 months	240	-
	610	340

At the end of the previous financial year, two motor vehicles acquired under hire purchase facilities obtained in the prior years were surrendered to the hire purchase companies. No payment was made in the current year in relation to these hire puchase facilities 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.

28. 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.

Company No: 19727-P

28. PROFIT GUARANTEE (CONT'D.)

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 solicitors have been requested to carry out a search on the AMSB to ascertain whether or not AMSB is in a financial position to honor the judgement sum. Upon establishing this, the Group and the Company will decide 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 Group and 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.

29. LEASE COMMITMENT

The Group and the Company have a lease commitment for 5 years in respect of rented photocopier. The non-cancellable long-term commitment is as summarised below:

	Group/Company	
	2003	2002
	RM'000	RM'000
Not later than 1 year	5	
Later than 1 year but not later than 5 years	17	-

30. 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.

Company No: 19727-P

30. FINANCIAL INSTRUMENTS (CONT'D.)

(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) 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.

Company No: 19727-P

30. FINANCIAL INSTRUMENTS (CONT'D.)

(e) Fair Values (Cont'd.)

(ii) 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.

31. SEGMENTAL REPORTING

(a) Business Segments

The Group is organised into four major business segments:

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

(ii) Timber concessionaire - logging and selling of round end timber logs

(iii) Investment property holding

(iv) 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.

32. SEGMENTAL REPORTING (CONT'D.)

	Property Development		Timber Concessionaire		Investment Property Holding		Investment Holding		Others		Eliminations		Consolidated	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
REVENUE AND EXPENSES														
Revenue														
External revenue	3,503	1,589	1,891	-	1,849	-	37	85	-	-	-	-	7,280	1,674
Intersegment revenue	-	-	-	-	-	-	1,428	-	-	-	1,428	-	-	-
													7,280	1,674
Result														
Segment results	(1,285)	(1,083)	(79)	-	460	-	(109)	(1,139)	(22)	(12)	87	1	(1,122)	(2,233)
Finance cost													(189)	-
Loss before taxation													(1,311)	(2,233)
Taxation													(231)	-
Loss after taxation													(1,542)	(2,233)
ASSETS AND LIABILITIES														
Segment assets	8,018	13,847	42,495	-	81,645	-	1,488	1,241	-	17			133,646	15,105
Segment liabilities	3,308	7,550	247	-	997	-	4,501	2,707	240	239			9,293	10,496
OTHER INFORMATION														
Amortisation of goodwill	-	-	-	-	-	-	90	-	-	-			90	-
Amortisation of timber concession	-	-	504	-	-	-	-	-	-	-			504	-
Depreciation	-	-	-	-	-	-	15	-	-	-			15	-
Non cash expenses other than amortisation, depreciation and impairment losses	-	-	-	-	-	-	143	166	-	-			143	166

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-Ninth Annual General Meeting of the Company to be held at the Banquet Hall, First Floor, Kuala Lumpur Golf & Country Club, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 6000 Kuala Lumpur on Thursday, 20 May 2004 at 10.30 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 2003		
2.	Re-election of Muhamed Bin Abdul Rahman as a Director of the Company		
3.	Re-election of Ramli Bin Harun 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:

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 Companies 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. 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.
4. 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.
5. Unless voting instructions are indicated in the spaces provided the proxy may vote as he thinks fit.

Fold Here

Stamp

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

Fold Here