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# CORPORATE INFORMATION

## DIRECTORS

**Datuk Oh Chong Peng** (*Chairman*)

**G. Krishnan** (*Managing Director*)

**General (Rtd) Tan Sri Borhan Hj Ahmad**

**Datuk Dr Salleh Mohd Nor**

**Vice Admiral (Rtd) Dato' Seri Ahmad Ramli  
Hj Mohd Nor**

**Dato' Dr A. Bakar Jaafar**

**Rita A/P Benoy Bushon**

**Md Tarmuzi Md Salleh**

## SECRETARY

**Lim Fong Een** (*MAISCA 0785833*)

## ASSISTANT SECRETARY

**Hayati Aman Hashim** (*MIA 20107, MICPA 3067*)

## EXECUTIVE COMMITTEE

**Datuk Oh Chong Peng** (*Chairman*)

**G. Krishnan**

## AUDIT COMMITTEE

**General (Rtd) Tan Sri Borhan Hj Ahmad** (*Chairman*)

**Datuk Oh Chong Peng**

**Datuk Dr Salleh Mohd Nor**

**Dato' Dr A. Bakar Jaafar**

**Vice Admiral (Rtd) Dato' Seri Ahmad Ramli  
Hj Mohd Nor**

**Rita A/P Benoy Bushon**

## NOMINATIONS COMMITTEE

**Datuk Oh Chong Peng** (*Chairman*)

**General (Rtd) Tan Sri Borhan Hj Ahmad**

**Datuk Dr Salleh Mohd Nor**

**Md Tarmuzi Md Salleh**

## REMUNERATION COMMITTEE

**Dato' Dr A. Bakar Jaafar** (*Chairman*)

**General (Rtd) Tan Sri Borhan Hj Ahmad**

**Datuk Dr Salleh Mohd Nor**

**Vice Admiral (Rtd) Dato' Seri Ahmad Ramli  
Hj Mohd Nor**

## REGISTERED OFFICE

2nd Floor  
7 Persiaran Dagang  
Bandar Sri Damansara  
52200 Kuala Lumpur  
Tel : 603-6275 7788  
Fax : 603-6277 7061

## CORPORATE OFFICE

3rd Floor  
7 Persiaran Dagang  
Bandar Sri Damansara  
52200 Kuala Lumpur  
Tel : 603-6275 7788  
Fax : 603-6275 2101  
E-mail : [lgb@land-general.com](mailto:lgb@land-general.com)  
Website : <http://www.land-general.com>

## AUDITORS

PricewaterhouseCoopers  
Chartered Accountants

## LISTING

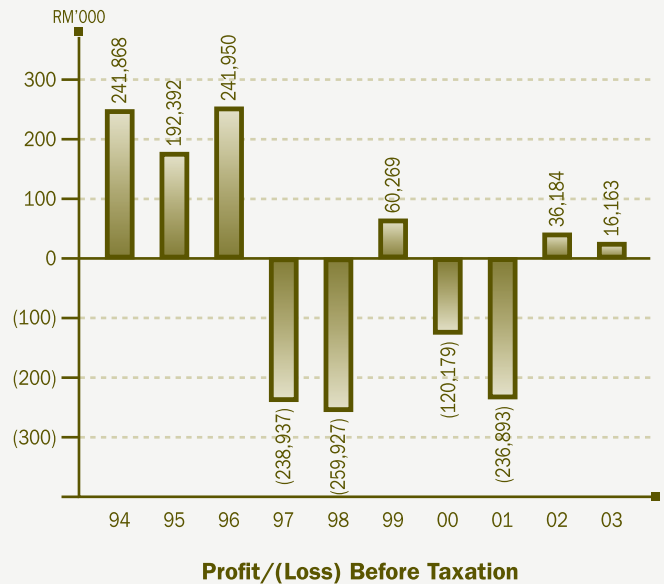
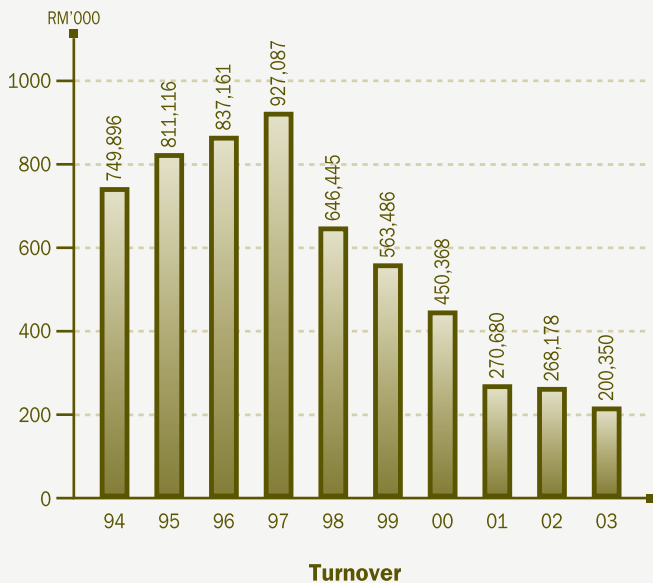
Bursa Malaysia

## SHARE REGISTRARS

Malaysian Share Registration Services Sdn Bhd  
(Company No. 378993-D)  
Level 26 Menara Multi-Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 603-2721 2222  
Fax : 603-2721 2530; and  
603-2721 2531

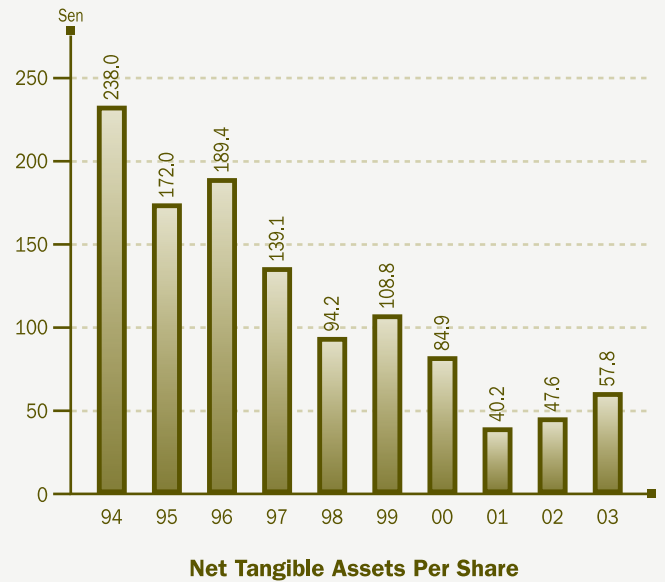
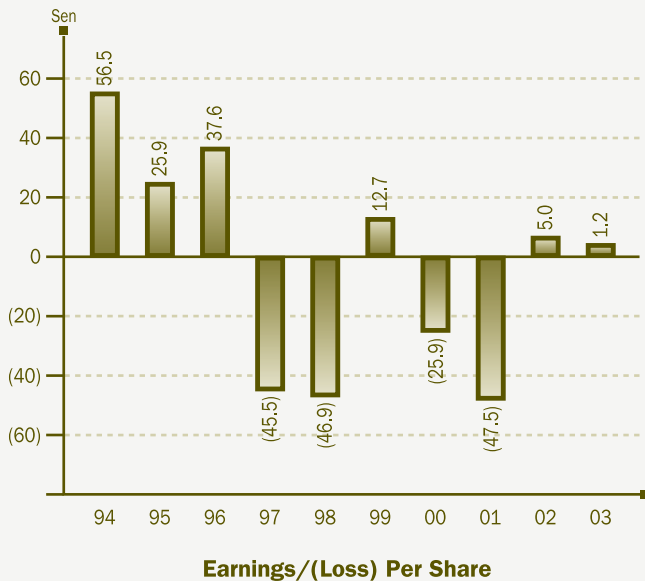
# TEN-YEAR PERFORMANCE HIGHLIGHTS

	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000
Turnover	749,896	811,116	837,161	927,087
Profit/(Loss) Before Taxation	241,868	192,392	241,950	(238,937)
Taxation	(73,640)	(70,203)	(37,285)	(19,963)
Minority Interests	(8,722)	(8,380)	(22,072)	32,367
Profit/(Loss) After Taxation & Minority Interests	159,506	113,809	182,593	(226,533)
Weighted Average Number of Shares ('000)	282,143	439,548	485,102	498,066
Earnings/(Loss) Per Share (Sen)	56.5	25.9	37.6	(45.5)
Shareholders' Fund	703,485	772,681	950,470	704,301
Issued & Paid Up Share Capital ('000)	292,579	445,018	498,066	498,066
Net Tangible Assets Per Share (Sen)	238.0	172.0	189.4	139.1



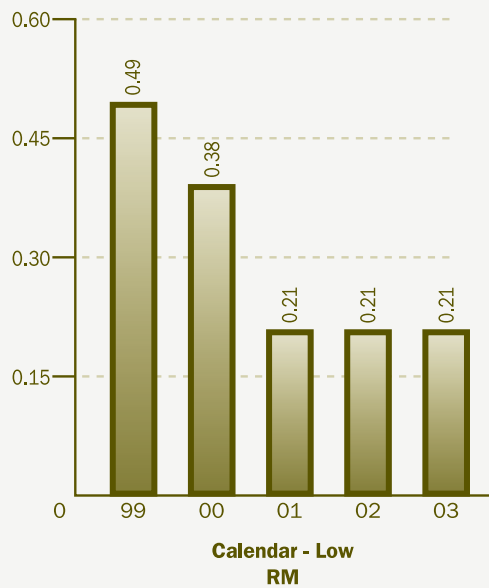
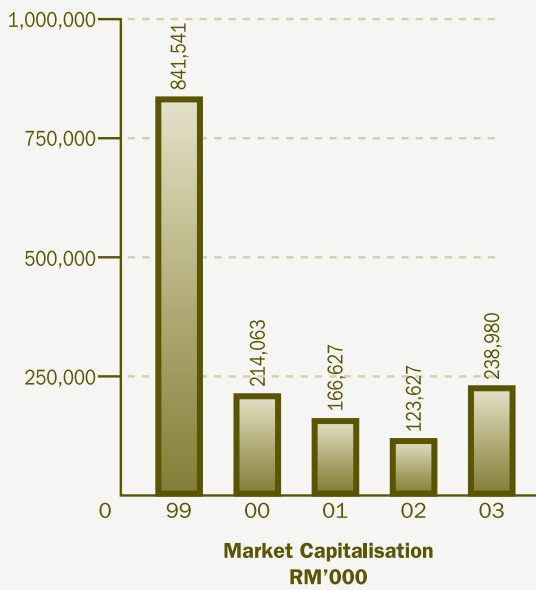
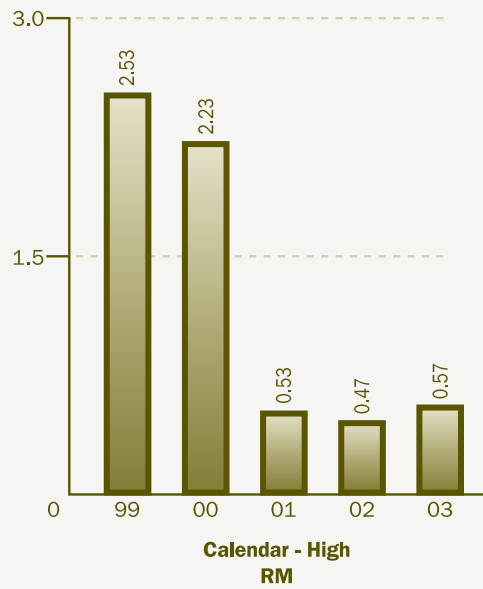
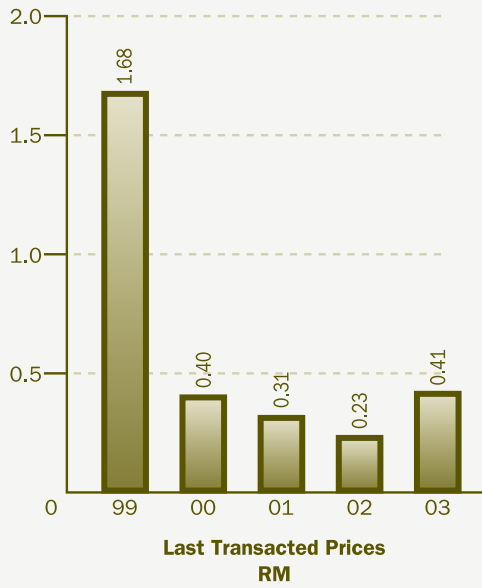
# TEN-YEAR PERFORMANCE HIGHLIGHTS

1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
646,445	563,486	450,368	270,680	268,178	200,350
(259,927)	60,269	(120,179)	(236,893)	36,184	16,163
(1,011)	(1,339)	(19,626)	(17,273)	(14,690)	(7,800)
27,183	4,617	8,089	(754)	5,526	(1,659)
(233,755)	63,547	(131,716)	(254,920)	27,020	6,704
498,066	499,069	507,883	537,508	537,508	560,192
(46.9)	12.7	(25.9)	(47.5)	5.0	1.2
472,738	548,159	454,493	216,269	255,661	336,984
498,066	500,917	535,157	537,507	537,507	582,877
94.2	108.8	84.9	40.2	47.6	57.8



# SHARE PRICES

	2003	2002	2001	2000	1999
Last transacted prices (RM)	0.41	0.23	0.31	0.40	1.68
Calendar - high (RM)	0.57	0.47	0.53	2.23	2.53
Calendar - low (RM)	0.21	0.21	0.21	0.38	0.49
Market Capitalisation (RM'000)	238,980	123,627	166,627	214,063	841,541



## CORPORATE DIARY

2003/2004

## YEAR 2003

**4 April 2003**

Overseas & General Limited, a subsidiary of Land & General Berhad ("L&G"), entered into a Shareholders' cum Joint Venture Agreement with Protonweb Solutions Limited ("PSL") and Protonweb BPO Private Limited ("Protonweb BPO") whereby OGL and PSL shall participate in and operate a joint venture company to carry on the business of information technology (IT-) enabled services in India, specifically in the industry sub-sector of business processing outsourcing (BPO).

**30 July 2003**

Completion of the Composite Debt Restructuring Scheme between L&G, certain of its subsidiaries and their respective scheme creditors whereby the Company fully settled its total scheme borrowings of RM450,491,794 via the issuance of 16,883,720 Redeemable Convertible Secured Loan Stocks ("RCSLS") Series A of RM1 each, the conversion of RM84,159,657 secured debts into secured new term loan, the issuance of 304,078,917 RCSLS Series B of RM1 and the issuance of 45,369,500 new ordinary shares of L&G of RM1 each.

**7 October 2003**

L&G entered into a Sale and Purchase Agreement to dispose of 16,493,757 ordinary shares of RM1 each representing its entire 51% equity interest in Lojing Highland Resort Development Sdn Bhd for a total consideration of RM4.5 million to be satisfied by a cash sum of RM900,000 and the tendering of RCSLS with an aggregate face value of RM3,600,000.

**15 December 2003**

Completion of the disposal by L&G of 16,493,757 ordinary shares of RM1 each representing its entire 51% equity interest in Lojing Highland Resort Development Sdn Bhd.

## YEAR 2004

**2 March 2004**

Lang Education Holdings Sdn Bhd, a wholly-owned subsidiary of L&G entered into a Share Sale Agreement with Rimbun Masyhur Sdn Bhd ("RMSB") to dispose 1,500,000 ordinary shares of RM1 each representing its entire 70% equity interest in Twintech Holdings Sdn Bhd (formerly known as L&G-Twintech Sdn Bhd) and Lembah Beringin Sdn Bhd ("LBSB") entered into an Agreement for the Sale of Land in Lembah Beringin with RMSB for the disposal of approximately 50 acres of land in Lembah Beringin for the total purchase consideration of RM33,350,400 to be satisfied by a cash sum of RM5,002,560 and the tendering of RCSLS with an aggregate face value of RM28,347,840.

**15 March 2004**

Announcement by L&G of a proposal to issue up to 33,788,500 new ordinary shares of RM1 each in L&G to identified property purchasers and certain contractors and consultants of LBSB and Bandar Sungai Buaya Sdn Bhd ("BSB") as settlement of amounts due by LBSB and BSB to the said property purchasers, contractors and consultants.

**18 March 2004**

L&G entered into an Agreement with OGL for the acquisition of certain assets in consideration of the early redemption and cancellation of 6,200,000 convertible bonds of A\$1 each in OGL. These assets comprise 13,002,000 ordinary shares (representing approximately 13% of the issued and paid-up share capital) in Vietnam Industrial Investments Ltd ("VII"), a company incorporated in Australia and listed on the Australian Stock Exchange Limited and 1,500,000 fully paid shares (representing 30% of the issued and paid-up share capital) in Protonweb BPO, a company incorporated in India.

**19 March 2004**

L&G and its wholly-owned subsidiary, Bestform Limited, entered into four separate Agreements for Sale and Purchase of Shares in OGL with Polaris Alliance Limited, Quantum Logistics Limited, Richland Resources Limited and Interlearn (Malaysia) Sdn Bhd for the proposed disposal of 7,735,220 ordinary shares of A\$1 each representing approximately 51% equity interest and 66,061,666 Class B convertible non-voting shares of A\$1 each in OGL for a total aggregate purchase consideration of A\$700,000.

**15 April 2004**

Completion of the disposal of 7,735,220 ordinary shares of A\$1 each representing approximately 51% equity interest and 66,061,666 Class B convertible non-voting shares of A\$1 each in OGL.

**29 April 2004**

Completion of the acquisition by L&G of 13% equity interest in VII and 30% equity interest in Protonweb BPO via the early redemption of 6,200,000 convertible bonds in OGL.

**29 June 2004**

41st Annual General Meeting of L&G.

## CORPORATE CITIZENSHIP

Tabung Amanah Land & General Berhad ("TALGB") was established in 1996 as part of the Group's commitment to fulfilling its role as a corporate citizen.

Despite the financial constraints faced by the Group, TALGB sponsored cash prizes for the best students at Universiti Putra Malaysia and donated personal computers to a tadika in Bandar Sungai Buaya.

The staff are also encouraged to support worthwhile causes and this was done through the Human Resource Department organising charity drives throughout the year and staff playing an active role in the activities of the Rumah Bakti in Bandar Sri Damansara.

# DIRECTORS' PROFILE

## DATUK OH CHONG PENG

*Chairman*

*Independent Non-Executive Director*

Datuk Oh Chong Peng, a Malaysian aged 59, was appointed a Director of Land & General on 18 October 1999. On 18 January 2002, Datuk Oh was appointed Chairman of Land & General. Datuk Oh is currently a Fellow of the Institute of Chartered Accountants, England and Wales. He was previously a senior partner of Coopers & Lybrand, Malaysia from 1974 until his retirement in 1997. Datuk Oh currently sits on the Boards of Star Publications (Malaysia) Berhad, British American Tobacco (Malaysia) Berhad, Nanyang Press Holdings Berhad (Chairman), IJM Corporation Berhad, IJM Plantations Berhad and several other private limited companies. He is a Trustee of the Huaren Education Foundation and UTAR Education Foundation, and also a Government appointed member of the Labuan Offshore Financial Services Authority (LOFSA) and the Malaysian Accounting Standards Board (MASB).

- (a) Details of any board committee to which he belongs:
  1. Executive Committee (Chairman)
  2. Audit Committee
  3. Nominations Committee (Chairman)
- (b) Any securities holdings in Land & General and its subsidiaries:
 

None
- (c) Any family relationship with any director and/or majority shareholder of Land & General:
 

None
- (d) Any conflict of interest that he has with Land & General:
 

None
- (e) List of convictions for offences within the past 10 years other than traffic offences:
 

None

## G. KRISHNAN

*Managing Director*

*Non-Independent Executive Director*

G. Krishnan, a Malaysian aged 64, was appointed Managing Director of Land & General on 1 September 2001. He is a graduate of the Advanced Management Programme, Harvard Business School, an Associate member of the Australian Society of Accountants and also a Certified Practising Accountant. Mr Krishnan served as an Executive Director of Antah Holdings Berhad ("Antah") from April 1990 until his retirement from Antah on 31 October 2000. Prior to that, he was with ICI Malaysia Sdn Bhd, which he joined in 1963 and was appointed a director of ICI Malaysia Sdn Bhd and Chemical Company of Malaysia Berhad in 1984. His last position in the ICI Group of Companies was Managing Director of ICI Fertilizers Malaysia Sdn Bhd and ICI Industrial Chemicals Malaysia Sdn Bhd, and Executive Director of Chemical Company of Malaysia Berhad. He was also a founding Council member of the Malaysia Australia Business Council. Currently, Mr Krishnan is a Council member of the Federation of Malaysian Manufacturers (FMM) where he is also the Chairman of the Ethical Business Practice Committee. Mr Krishnan is also presently a Council member of the Malaysian International Chamber of Commerce and Industry (MICCI) where he is the Convenor of the Environment Committee.

- (a) Details of any board committee to which he belongs:
 

Executive Committee
- (b) Any securities holdings in Land & General and its subsidiaries:
 

None
- (c) Any family relationship with any director and/or majority shareholder of Land & General:
 

None
- (d) Any conflict of interest that he has with Land & General:
 

None
- (e) List of convictions for offences within the past 10 years other than traffic offences:
 

None

# DIRECTORS' PROFILE

## GENERAL (RTD) TAN SRI BORHAN HJ AHMAD

*Independent Non-Executive Director*

General (Rtd) Tan Sri Borhan Hj Ahmad, a Malaysian aged 64, was appointed a Director of Land & General on 27 March 1995. He gained experience with various government authorities throughout his 37 years of service with the Government. He is also the Chairman of Perbadanan Hal Ehwal Bekas Angkatan Tentera, Chairman of Baiduri Auto Sdn Bhd, Chairman of Baiduri Auto Care Sdn Bhd, Chairman of Kausar Corporation Sdn Bhd and Chairman of Kristal Security Sdn Bhd. He is currently the Deputy President of Persekutuan Tinju Amatur Malaysia.

- (a) Details of any board committee to which he belongs:
  1. Audit Committee (Chairman)
  2. Nominations Committee
  3. Remuneration Committee
- (b) Any securities holdings in Land & General and its subsidiaries:
 

None
- (c) Any family relationship with any director and/or majority shareholder of Land & General:
 

None
- (d) Any conflict of interest that he has with Land & General:
 

None
- (e) List of convictions for offences within the past 10 years other than traffic offences:
 

None

## DATUK DR SALLEH MOHD NOR

*Independent Non-Executive Director*

Datuk Dr Salleh Mohd Nor, a Malaysian aged 63, was appointed a Director of Land & General on 13 November 1995. He holds a Master and Doctorate degree in Forestry from Michigan State University, USA and a Bachelor of Science degree (Forestry) from the University of Adelaide, Australia. He has also received several honours including the conferment of the Doctorate of Science from Universiti Kebangsaan Malaysia and the University of Aberdeen, UK. He is currently the President of the Malaysian Nature Society and was formerly the Director General of the Forest Research Institute of Malaysia. He is currently a Director of Minho (M) Bhd and also holds directorships in other private limited companies.

- (a) Details of any board committee to which he belongs:
  1. Audit Committee
  2. Nominations Committee
  3. Remuneration Committee
- (b) Any securities holdings in Land & General and its subsidiaries:
 

Direct interest - 12,000 ordinary shares in Land & General
- (c) Any family relationship with any director and/or majority shareholder of Land & General:
 

None
- (d) Any conflict of interest that he has with Land & General:
 

None
- (e) List of convictions for offences within the past 10 years other than traffic offences:
 

None

# DIRECTORS' PROFILE

## VICE ADMIRAL (RTD) DATO' SERI AHMAD RAMLI HJ MOHD NOR

*Independent Non-Executive Director*

Vice Admiral (Rtd) Dato' Seri Ahmad Ramli Hj Mohd Nor, a Malaysian aged 60, was appointed a Director of Land & General on 18 October 1999. He retired as the Chief of the Royal Malaysian Navy in January 1999. During his 35 years of service in the Navy, he received numerous awards, both local and international. Dato' Seri Ramli holds a Master in Public Administration degree from Harvard University, USA. He is a director of several private limited companies and is also a director of Muhibbah Engineering (M) Berhad and Affin Bank Berhad.

- (a) Details of any board committee to which he belongs:
  - 1) Audit Committee
  - 2) Remuneration Committee
- (b) Any securities holdings in Land & General and its subsidiaries:
 

None
- (c) Any family relationship with any director and/or majority shareholder of Land & General:
 

None
- (d) Any conflict of interest that he has with Land & General:
 

None
- (e) List of convictions for offences within the past 10 years other than traffic offences:
 

None

## DATO' DR A. BAKAR JAAFAR

*Independent Non-Executive Director*

Dato' Dr A. Bakar Jaafar, a Malaysian aged 54, was appointed a Director of Land & General on 18 October 1999. He holds a Doctorate in Marine Geography from the University of Hawaii, a Master of Environmental Science degree from the Miami University and a Bachelor of Engineering (Hons) degree in Mechanical Engineering from the University of Newcastle, Australia. He served in the Malaysian civil service for over 22 years in various positions including being Director General of the Department of Environment from 1990 to 1995. He continues to serve the Malaysian Government as Elected-Member to the UN Commission on the Limits of Continental Shelf, Member of the Maritime Institute of Malaysia and the National Council for Scientific Research and Development and as an adjunct Professor in the Faculty of Science and Environmental Studies, Universiti Putra Malaysia.

- (a) Details of any board committee to which he belongs:
  1. Audit Committee
  2. Remuneration Committee (Chairman)
- (b) Any securities holdings in Land & General and its subsidiaries:
 

Direct interest - 100,000 ordinary shares in Land & General
- (c) Any family relationship with any director and/or majority shareholder of Land & General:
 

None
- (d) Any conflict of interest that he has with Land & General:
 

None
- (e) List of convictions for offences within the past 10 years other than traffic offences:
 

None

# DIRECTORS' PROFILE

## RITA A/P BENOY BUSHON

*Non-Independent Non-Executive Director*

Rita A/P Benoy Bushon, a Malaysian aged 43, was appointed a Director of Land & General on 14 March 2002. She holds a Master in Business Administration degree from Henley/Brunel University, West London and an honours degree in Economic Statistics, Universiti Kebangsaan Malaysia. She joined the Employees Provident Fund Board ("EPF") in 1984 and served in several departments in EPF prior to her appointment as General Manager of the Equities Research/Private Equity Division. Currently, she is also a Board member of the Badan Pengawas Pemegang Saham Minoriti Berhad and KFC Holdings (Malaysia) Berhad.

- (a) Details of any board committee to which she belongs:  
Audit Committee
- (b) Any securities holdings in Land & General and its subsidiaries:  
None
- (c) Any family relationship with any director and/or majority shareholder of Land & General:  
As Nominee Director representing EPF, a major shareholder of Land & General
- (d) Any conflict of interest that she has with Land & General:  
None
- (e) List of convictions for offences within the past 10 years other than traffic offences:  
None

## MD TARMUZI MD SALLEH

*Non-Independent Non-Executive Director*

Md Tarmuzi Md Salleh, a Malaysian aged 47, was appointed a Director of Land & General on 14 March 2002. He holds a Master in Business Administration degree from the University of Connecticut, Hartford, USA and a Bachelor in Business Administration degree from Ohio University, Athens, USA. He joined EPF in 1993 as Senior Manager in the Business Development and Property Management Division. Currently, he heads the Property Investment Division of EPF and also represents EPF as a director in a few private limited companies. Prior to joining EPF, he was a Bank Officer working both in Malaysia and overseas. He had also served as the Sales and Marketing Manager in the HICOM subsidiary company and in the property based companies of both the Maju Group and Puncak Group.

- (a) Details of any board committee to which he belongs:  
Nominations Committee
- (b) Any securities holdings in Land & General and its subsidiaries:  
None
- (c) Any family relationship with any director and/or majority shareholder of Land & General:  
As Nominee Director representing EPF, a major shareholder of Land & General
- (d) Any conflict of interest that he has with Land & General:  
None
- (e) List of convictions for offences within the past 10 years other than traffic offences:  
None

# CHAIRMAN'S LETTER

Dear Shareholders,

The year 2003 was one of change for the Company as it saw the implementation of the debt restructuring and asset disposal programmes. The successful completion of the Composite Debt Restructuring Scheme has contributed to the full restructuring of borrowings totalling RM450.49 million. It is envisaged that both these programmes will realign the Company in boosting its future earnings and positioning itself on to a long-term path of growth and profitability.

It is against this backdrop that on behalf of the Board of Directors, I am pleased to present the Annual Report for the year ended 2003.

## DOMESTIC ECONOMY

The war in Iraq coupled with the outbreak of the SARS (Severe Acute Respiratory Syndrome) in the Asian region had adversely affected prospects for an earlier world economic recovery. However in spite of these events, the Malaysian economy recorded a stronger than expected growth of 5.2% in 2003. Rising consumer and business confidence, which are the underlying economic fundamentals, as well as low interest rates contributed to this growth momentum.

Supported by fiscal spending, infrastructure development projects and renewed interest in housing activities, the country's construction sector grew by about 2.5% in 2003, compared to 2.3% in the preceding year.

## CORE ACTIVITY

The Group's core activity is in property development. Its main focus in Malaysia is at Bandar Sri Damansara, while attention in Australia is on the Flinder's Wharf and Hidden Valley projects. Despite the stiff competition in 2003, we endeavoured to strengthen the core activity in order to improve returns on investment and enhance the Company's financial performance.

Given that the property sector is expected to grow between 5% to 6% in 2004 there is caution yet optimism of improved demand for our properties in Bandar Sri Damansara, given its good location and product mix.

With the bullish sentiment in the Australian economy, we continue to be upbeat with our property development activities in Melbourne.

Our property developments at Bandar Sungai Buaya and Lembah Beringin continue to be stalled. However, plans are in place to rehabilitate these projects.

Our strategy for our core business activity is to make a stronger presence in the market that we are already in and know best. Measures will be taken to enhance our credibility and reputation as a responsible developer.

## FINANCIAL PERFORMANCE

For the year ended December 2003, our overall revenue declined slightly as much of our attention was focused on restructuring the Group's debts. As such, new property launches were limited. The sale of assets, which formed part of the restructuring exercise, also resulted in a lower contribution of profits from our associated companies.

However, I am pleased to report that the Composite Debt Restructuring Scheme had resulted in interest savings for the Company of RM28 million. Although earnings for the year decreased due to lower revenue and other income, the Group managed to remain in the black with a pre-tax profit of RM16.16 million against a turnover of RM200.35 million.

## HUMAN RESOURCES

In recognising the role that employees play in fulfilling an organisation's corporate objectives, the Company continues to observe its policy of developing and enhancing its staff's professional capabilities. In this respect, investments were made in staff training and development to ensure that the Company remains competitive in the industry.

# CHAIRMAN'S LETTER

## CORPORATE GOVERNANCE

Our corporate culture has traditionally been geared towards creating value for shareholders. The Board is thus committed to ensuring that high standards of corporate governance are practised with the view to protect and enhance shareholders' value.

The Risk Management Committee that was established in 2002 continuously reviewed the internal controls, management practices and existing operating procedures to ensure full compliance with the Malaysian Code on Corporate Governance. The Board firmly believes that integrity, transparency and professionalism are the key components for the Company's continued progress and success.

## OUTLOOK AND CORPORATE DIRECTION

The Board is committed to the on-going corporate restructuring and de-gearing exercise as this will realise substantial benefits, which will place the Group on a stronger footing to seize new opportunities in the growing property development market. The exercise will also ensure improved financial performance in future years. Thus, the Company will consolidate and re-strategise its plans with the aim of disposing its non-core assets and divestment of strategic stakes in key investments to other parties. Towards this end, the Group has, since the beginning of 2004, successfully negotiated the disposal of two subsidiaries namely, Twintech Holdings Sdn Bhd (formerly known as L&G-Twintech Sdn Bhd) and Overseas & General Limited which will contribute to the reduction of the Group's long-term liabilities.

Fuelled by the strong economic conditions and increased property transactions in the country, we are confident that the Company's property development activities will contribute positively to the revenue in 2004. In addition, we are looking forward to reaping good return on investments from our activities in Australia as the strong Australian dollar will translate to good foreign exchange gains.

## APPRECIATION

I wish to express a special note of appreciation to Encik Mohamed Razeek Hussain who resigned as our Executive Director and a member of the Board on 31 August 2003. On behalf of the Board, I take this opportunity to thank him for his contributions during his tenure of office.

Finally, the Board would like to thank our valued customers, shareholders and business associates for their continued support to the Company and the Group. We also acknowledge the contribution of our management and employees for their dedication, commitment and undivided loyalty throughout the year.

## DATUK OH CHONG PENG

Chairman  
18 May 2004

# MANAGING DIRECTOR'S REVIEW OF OPERATIONS

## OVERVIEW

During the year 2003, the Company's efforts were primarily focused on completing the Composite Debt Restructuring Scheme ("CDRS"). This was successfully completed and implemented in the third quarter of 2003. Land & General settled debts totalling approximately RM450.49 million through the issuance of loan stocks, new shares and term loans. Secured debts amounting to approximately RM101.04 million were settled through the issuance of 16,883,720 5% redeemable convertible secured loan stocks ("RCSLS") A series of RM1.00 each and the conversion of RM84,159,657 into secured term loans. The balance of approximately RM349.45 million unsecured debts were settled through the issuance of 304,078,917 RCSLS B series of RM1.00 each and 45,369,500 new ordinary shares of RM1.00 each in the Company.

With the CDRS put into place, the Group's financial position has been strengthened somewhat and the Group is currently able to re-focus on its core business of property development.

The successful completion of this restructuring exercise took an insurmountable amount of the management's time and efforts and on behalf of the shareholders, I would like to thank everyone involved in achieving this completion.

Subsequent to the restructuring exercise and as part of our on-going asset divestment programme, the Company disposed of several factory buildings and factory lots which were no longer relevant to the Group's core business. In addition, Land & General also divested its 51% shareholding in Lojing Highland Resort Development Sdn Bhd and its 30% equity interest in Intercontinental Terminals (M) Sdn Bhd. In the early part of 2004, Land & General announced the sale of its entire 51% equity interest in Overseas & General Limited ("OGL") and Twintech Holdings Sdn Bhd (formerly known as L&G-Twintech Sdn Bhd).

For the financial year under review, the Group's revenue decreased to RM200.35 million from RM268.18 million, while the operating profit increased to RM36.62 million from an operating loss of RM6.61 million recorded in the previous year.

Overview of Group Results						
	Turnover		%	(Loss)/Profit Before Tax		
	2003	2002		2003	2002	%
	RM'000	RM'000	Change	RM'000	RM'000	Change
<b>Property Division</b>	162,711	171,964	(5)	2,364	(23,830)	(110)
<b>Investment Division</b>						
Timber	5,544	2,560	117	1,024	(8,443)	(112)
Petrochemical	-	68,494	(100)	-	558	(110)
Education	32,095	25,160	28	9,652	7,032	37
Investment/Others	-	-	-	4,342	46,660	(91)
	<u>200,350</u>	<u>268,178</u>		<u>17,382</u>	<u>21,977</u>	
<b>Group's share in associated companies &amp; jointly controlled entity</b>				(1,219)	14,207	(109)
				<u>16,163</u>	<u>36,184</u>	

## Overview of Property Division

	2003	2002
Turnover (RM'000)	<u>162,711</u>	<u>171,964</u>
Operating (loss)/profit before exceptional items (RM'000)	(3,672)	16,515
Exceptional items:		
Write down of development properties (RM'000)	-	(5,757)
Asset impairment (RM'000)	6,036	(34,588)
Profit/(loss) before taxation (RM'000)	<u>2,364</u>	<u>(23,830)</u>
Units launched during the year	92	200
Units sold on current & previous launches	140	117

efforts were mainly directed at resolving operational matters; we were able to obtain the Certificates of Fitness for all completed units of houses and successfully hand over the developed areas to the local council. Apart from this, attention was also given to selling the unsold stocks and evaluating various restructuring proposals for Bandar Sungai Buaya with the objective of bringing about revival in this development project.

Most launches at our signature township of Bandar Sri Damansara were deferred to 2004 whilst efforts were being made to complete and hand over 1,256 units of low-cost apartments. Construction of these apartments faced difficulties due to the contractor's inability to deliver these units on time. In addition, during the year we launched the *Paradesa Mustika* and the *Paradesa Tropika Phase 2* condominium projects. Sri Damansara still has reasonable land bank which we are carefully considering for quality projects that could be launched into the market in the near future.

## PROPERTY DIVISION

Both the war in Iraq and the SARS (Severe Acute Respiratory Syndrome) epidemic during the first half of 2003 did not bode well for our Property Division. Nevertheless, the Property Division was the highest revenue contributor to the Group's earnings, achieving a sales revenue of RM162.71 million.

The Group did not commence any new project in Bandar Sungai Buaya or Lembah Beringin. At Lembah Beringin, our efforts were directed at rehabilitating the stalled projects. With the assistance of Syarikat Perumahan Negara, we hope to complete the rehabilitation of this housing project in the near future. At Bandar Sungai Buaya, our

# MANAGING DIRECTOR'S REVIEW OF OPERATIONS

In Australia, as expected, we had a very satisfactory year. The Flinder's Wharf apartments were completed ahead of schedule in December 2003. The sales of land lots at Hidden Valley were encouraging and the World Trade Centre, Melbourne continues to enjoy almost full occupancy.

## EDUCATION OPERATIONS

The Group's investments in education recorded a commendable performance with a total revenue of RM32.10 million for the financial year 2003. The Education Operations have performed better than expected as the demand for tertiary education in Malaysia continued to appeal to both local and foreign students.

As mentioned earlier, the Group disposed of its 70% equity interest in Twintech Holdings Sdn Bhd, which operates the International University College of Technology, Twintech. The sale of Twintech Holdings Sdn Bhd and the disposal of 50 acres of land in Lembah Beringin, with an aggregate value of approximately RM33.35 million, are expected to be completed in the second quarter of 2004.

Sekolah Sri Bestari had a very successful year, achieving commendable results both in public examinations and in the sports arena at district levels.

### Overview of Education Operations

	2003	2002
Turnover (RM'000)	32,095	25,160
PBT (RM'000)	9,652	7,032

### Overview of Timber Operations

	2003	2002
Turnover (RM'000)	5,544	2,560
PBT (RM'000)	1,024	(8,443)

## TIMBER OPERATIONS

The only remaining company in our Timber Operations is OGL. This company continued to incur losses and as it was not part of the Group's future endeavours, steps were taken to dispose of our interest in this company. With the completion of the sale of this company in April 2004, the Group is no longer in the timber business.

As announced in April 2003, the Group had, via OGL, invested in a joint venture company in India which is specifically involved in the industry of business processing outsourcing (BPO). Though we had recently disposed of OGL, this 30% investment has been retained within the Group. Barring unforeseen circumstances, we expect this investment to contribute positively to the Group's performance in the future.

## LOOKING AHEAD

Our efforts will be concentrated at enhancing values of our development projects in Bandar Sri Damansara, Bandar Sungai Buaya and Lembah Beringin. Bandar Sri Damansara will receive the main focus whilst sales efforts in Australia will be increased for the unsold units in Flinder's Wharf and land lots in Hidden Valley.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank our shareholders, customers, financiers, suppliers and various Government authorities for their continued support in 2003. Their support has enabled us to complete our restructuring exercise successfully, to sustain our business and to look forward to a profitable future.

We would also like to extend our heartfelt appreciation to the management and staff for their hard work, loyalty and commitment to the Company.

**G. KRISHNAN**  
Managing Director  
18 May 2004

# STATEMENT OF CORPORATE GOVERNANCE

The Board of Land & General Berhad is fully committed to the principles and best practices of the Malaysian Code of Corporate Governance. The Board constantly strives to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Company.

## THE BOARD OF DIRECTORS

Since the last Annual Report, one of the executive Directors has resigned from the Board. Currently, the Board comprises eight directors: seven non-executive Directors and one executive Director.

The Board's composition is well balanced, as five of the eight Directors are independent Directors. The Company is led and controlled by an experienced Board made up of professionals and entrepreneurs who have a diverse range of business, financial and technical skills and experience. This mix of skill and experience is essential for the successful attainment of the corporate plans and objectives of the Group.

The roles of the non-executive Chairman and the Managing Director are clearly defined, with each carrying out his duties and responsibilities within the Company. The Chairman heads the Board and is responsible for ensuring the effectiveness of the Board. The Managing Director has overall executive responsibility for the day-to-day business operations and the implementation of the Board's decisions. In addition, Tan Sri Borhan is the Senior Independent Non-executive Director of the Company to whom concerns or queries regarding the Group can be directed.

All the Directors have an equal responsibility for the Group's operations and corporate accountability. The independent non-executive Directors play a vital supporting role by contributing their knowledge and experience towards the development of the Company's objectives. They also provide a broader and independent view in the decision-making process.

In the furtherance of their duties, all Directors have access to the advice and service of the Company Secretary, the internal auditors and, if so required, independent professional advisors, at the Company's expense.

## BOARD MEETINGS

Board meetings are scheduled every quarter and additional meetings are convened as and when necessary. During the financial year ended 31 December 2003, a total of five Board meetings were held.

The following is a record of attendance of the Board meetings by the Board of Directors:

Directors	No. of Meetings Attended
Datuk Oh Chong Peng	5/5
G. Krishnan	5/5
General (Rtd) Tan Sri Borhan Hj Ahmad	5/5
Datuk Dr Salleh Mohd Nor	5/5
Vice Admiral (Rtd) Dato' Seri Ahmad Ramli Hj Mohd Nor	4/5
Dato' Dr A Bakar Jaafar	5/5
Rita A/P Benoy Bushon	5/5
Md Tarmuzi Md Salleh	5/5
Mohamed Razeek Hussain (resigned 31/8/03)	3/4

Board papers providing updates on operations, financial and corporate proposals and minutes of the Board Committees are circulated prior to each meeting. This is to give the Directors sufficient time to enable them to participate in the deliberations of the issues to be raised at the meetings and to make informed decisions.

# STATEMENT OF CORPORATE GOVERNANCE

To assist the Board in the discharge of its duties effectively, the Board has delegated certain functions to the following Committees, each operating within clearly defined terms of reference:

## i) Executive Committee

Currently, the Executive Committee (“Exco”) comprises the Chairman and the Managing Director. The Exco deals with a wide range of matters involving inter alia corporate development proposals and major operational activities and issues before bringing such matters to the attention of the Board at the Board Meetings and/or, where appropriate, seeking approval from the Board as a whole. The Exco meetings are scheduled once a month and, for the year ended 31 December 2003, the Exco met ten times.

## ii) Audit Committee

The Audit Committee, comprising wholly of non-executive Directors, the majority of whom are independent, is responsible for reviewing and monitoring the work of the Group’s internal audit function as well as ensuring that an objective professional relationship is maintained with the external auditors. Further details of the Audit Committee are contained in the Audit Committee Report in the next section of this Annual Report.

## iii) Remuneration Committee

The Remuneration Committee, comprising exclusively of independent non-executive Directors, is authorised to review, assess and recommend to the Board the remuneration of the executive Directors in all forms, using other independent professional advice as necessary.

## iv) Nominations Committee

The Nominations Committee comprises entirely non-executive Directors, the majority of whom are independent. The Nominations Committee is authorised to identify and recommend the appointment of new directors to the Board. However, decisions on the appointment of new directors are made by the Board of the Company.

## RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association of the Company, all Directors who are appointed by the Board are subject to election by shareholders of the Company at the first Annual General Meeting after their appointment. The Articles also provide that one-third of all the remaining Directors be subject to re-election by rotation at each Annual General Meeting.

## DIRECTORS’ TRAINING

All Directors of the Company have attended the Mandatory Accreditation Programme. During the year, the Directors have attended other appropriate training programmes to equip themselves with the knowledge to discharge their duties more effectively and to keep abreast of developments in the marketplace.

## DIRECTORS’ REMUNERATION

The executive Directors’ remuneration comprises basic salary and allowances including other customary benefits made available to the Group. Any salary review takes into account market rates and the performance of the individual and the Group.

The non-executive Directors’ remuneration comprises fees, which are linked to their expected roles and level of responsibilities. The Directors’ annual fees, which are determined by the Board as a whole, are approved by shareholders of the Company at each Annual General Meeting.

# STATEMENT OF CORPORATE GOVERNANCE

The aggregate remuneration of the Directors of the Company categorised into appropriate components for the financial year ended 31 December 2003 is as follows:

	Fees RM'000	Salaries RM'000	Benefits in kind RM'000	Total RM'000
Executive	–	783	32	815
Non-executive	355	–	–	355

The number of Directors of the Company whose total remuneration falls within the respective bands is as follows:

	Number of Directors	
	Executive	Non-executive
RM50,000 and below		5
RM50,001 to RM100,000		1
RM100,001 to RM150,000		1
RM250,001 to RM300,000	1	
RM550,001 to RM600,000	1	

The above disclosures include the remuneration paid to a former executive Director who had resigned during the year 2003.

## FINANCIAL REPORTING

The Board aims to present a balanced and understandable assessment of the Group's financial position and prospects in all their reports to shareholders, investors and regulatory authorities. The assessment is achieved primarily through the quarterly financial results and by both the Chairman's Letter and Managing Director's Review of Operations in the Annual Report. The quarterly financial results are reviewed by the Audit Committee and approved by the Board before being released to the Bursa Malaysia.

The Directors are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, and for ensuring that the financial statements comply with the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia.

## INTERNAL CONTROLS

The Directors acknowledge their responsibility to maintain a sound system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as to safeguard shareholders' investments and the Group's assets. The Board seeks regular assurance on the continuity and effectiveness of the internal control system through independent review by the internal and external auditors.

To enhance risk management, the Company set up a Risk Management Committee in March 2002, which completed formalising the Risk Management Policy and Framework for the Group by the end of 2002. Further information regarding the Group's Risk Management Policy and Framework are disclosed in the Statement on Internal Control in the following section of this Annual Report.

## RELATIONSHIP WITH EXTERNAL AUDITORS

The Group has established a transparent and professional relationship with the external auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of the shareholders at the general meeting of the Company whilst the Board determines their remuneration.

# STATEMENT OF CORPORATE GOVERNANCE

## RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of timely dissemination of information to shareholders and investors to ensure that they are well informed of all major developments of the Company and the Group. Such information is communicated to shareholders and investors through various disclosures and announcements to the Bursa Malaysia, including the quarterly financial results, annual reports and where appropriate, circulars and press releases.

The Annual General Meeting represents the principal forum for dialogue and interaction with shareholders. At the Annual General Meeting, the Board encourages and welcomes participation from shareholders to ask questions regarding the resolutions being proposed at the meeting and also other matters pertaining to the business activities of the Group. The Directors are present during these meetings to respond to questions raised by shareholders.

Apart from the mandatory announcements through the Bursa Malaysia, the Company also provides the Group's corporate, financial and non-financial information at its website: [www.land-general.com](http://www.land-general.com)

## ADDITIONAL COMPLIANCE INFORMATION

- **Material Contracts**

There were no material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year by the Company and its subsidiaries which involves the interests of directors and major shareholders.

- **Sanctions and/or Penalties Imposed**

There were no fines or sanctions imposed on the Company and its subsidiaries, directors or management by the relevant regulatory authorities.

- **Non-audit Fee**

The amount of non-audit fee payable to the external auditors for the financial year ended 31 December 2003 has been reflected under Note 7 to the Financial Statements.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

Directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company of the financial year then ended.

In preparing those financial statements, the Directors have:

- adopted suitable accounting policies and then applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# AUDIT COMMITTEE REPORT

The Audit Committee was established on 8 August 1991 to act as a Committee of the Board to fulfil its fiduciary responsibilities relating primarily to business ethics, policies and practices, and financial management and controls.

## MEMBERS AND MEETINGS

The Audit Committee had six meetings during the year ended 31 December 2003. The members of the Audit Committee and the record of their attendance are as follows:

Directors/Members	Position on the Board	No. of Meetings Attended
General (Rtd) Tan Sri Borhan Hj Ahmad	<i>Chairman of Audit Committee, Independent Non-Executive Director</i>	5/6
Datuk Oh Chong Peng	<i>Independent Non-Executive Director</i>	6/6
Datuk Dr Salleh Mohd Nor	<i>Independent Non-Executive Director</i>	5/6
Vice Admiral (Rtd) Dato' Seri Ahmad Ramli Hj Mohd Nor	<i>Independent Non-Executive Director</i>	4/6
Dato' Dr A Bakar Jaafar	<i>Independent Non-Executive Director</i>	6/6
Rita A/P Benoy Bushon	<i>Non-Independent Non-Executive Director</i>	5/6

## TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:

### Membership

1. The Audit Committee shall be appointed by the Board from amongst their number and shall consist of at least three members, with the majority being independent directors.
2. At least one member of the Committee shall be a member of the Malaysian Institute of Accountants or one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
3. The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Non-Executive Director.
4. In the event of any vacancy in the Audit Committee, within three months of that event, the Board shall appoint new members to make up the minimum number of three members.
5. No alternate director shall be appointed as a member of the Audit Committee.
6. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years.

### Authority

The Audit Committee is authorised by the Board:

1. To investigate any activity within its terms of reference;
2. To have the resources required to perform its duties;
3. To have full and unrestricted access to information about the Company and the Group;
4. To have unrestricted access to both the internal and external auditors and to all employees of the Group; and
5. To obtain external legal or other independent professional advice as necessary.

# AUDIT COMMITTEE REPORT

## Functions

The functions of the Audit Committee shall be:

1. To review with the external auditors:
  - the audit plan
  - their evaluation of the system of internal controls
  - their audit reports, to ensure that their recommendations regarding major management weaknesses are implemented
  - the annual financial statements and recommend adoption of the financial statements
  - the audit fees
2. To review:
  - the Group's internal control procedures, including organisational and operational controls
  - the internal audit department's scope of work and functions
  - the Annual Audit Plan
  - the results of internal audit procedures and relevant reports
  - the assistance given by the Company's officers to the internal auditors
  - the regular management information, to ensure that audit recommendations regarding major management weaknesses are effectively implemented
  - any related party transactions that may arise within the Company and the Group
  - the Group's quarterly financial results, in conjunction with the Group's announcement to the Bursa Malaysia Securities Berhad
3. To review and recommend the appointment of the external auditors.
4. Any other function that may be agreed on or required by the Audit Committee and the Board.

## Meetings

1. Meetings shall be held not less than four times a year.
2. The quorum for each meeting shall be two members present and a majority must be independent directors.
3. The Managing Director, Head of Group Finance and Accounts and the Head of Internal Audit shall normally attend the meetings. Other Board members and employees may attend the meetings upon the invitation of the Audit Committee.
4. At least once a year, the Audit Committee shall meet with the external auditors without any executive directors present.
5. The Company Secretary shall be the Secretary of the Audit Committee. Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and of the Board.
6. The Chairman of the Audit Committee shall report on each meeting to the Board.

## SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION AND THE AUDIT COMMITTEE DURING THE YEAR ENDED 31 DECEMBER 2003

### Internal Audit Function

The Company has an Internal Audit Department whose principal responsibility is to undertake regular and systematic reviews of the systems of internal controls, so as to provide reasonable assurance that such systems continue to operate effectively and efficiently. The Department is also responsible for the conduct of regular and systematic reviews of safety, health and environmental issues in the Company and the Group to ensure its compliance with the Group's Occupational Safety, Health & Environmental Policy (OSHE). In general, the principal activities of the Department are governed by the approved Internal Audit Charter of the Group and meet the requirement of the Guidelines on the Internal Audit Function released by the industry task force in July 2002.

# AUDIT COMMITTEE REPORT

In 2003, the following activities were carried out by the Internal Audit Department:-

1. Reviewed and appraised the soundness, adequacy and application of accounting, financial and other controls, and promoted effective control in the Company and the Group;
2. Ascertained the extent of compliance with established policies, procedures and statutory requirements;
3. Ascertained the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
4. Carried out ad hoc audit assignments and special reviews;
5. Recommended improvements to the existing system of controls; and
6. Identified opportunities to improve the operations of and processes within the Group.

## Summary of Activities of the Audit Committee

During the year ended 31 December 2003, the Audit Committee performed its duties as set out in its terms of reference.

The main activities undertaken by the Audit Committee were as follows:-

1. Reviewed the audit plans for the Group prepared by the internal auditor;
2. Reviewed the external auditors' scope of work and audit plans for the year;
3. Reviewed the internal audit reports, recommendations and management's response, and discussed actions taken with Management to improve the internal controls system based on internal audit findings;
4. Reviewed the quarterly Risk Assessment exercise to assist the Board in identifying and managing the Group's risks;
5. Reviewed the quarterly unaudited financial results announcements with the Managing Director and Head of Group Finance & Accounts before recommending it for the Board's approval;
6. Reviewed the audited financial statements of the Company and the Group prior to the submission to the Board for their consideration and approval (to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards approved by MASB);
7. Reviewed the disclosure on related party transactions entered into by the Company and the Group; and
8. Reviewed proposed change of external auditors, which included audit proposals presented by several established accounting firms. Amongst the factors considered towards the new appointment were the adequacy of the experience, resources of the firm and the proposed audit fee charged for services rendered.

## GENERAL (RTD) TAN SRI BORHAN HJ AHMAD

Chairman of Audit Committee

18 May 2004

# STATEMENT OF INTERNAL CONTROL

## INTRODUCTION

In line with the Bursa Malaysia Listing Requirements, the Board of Directors is committed to maintaining a sound system of internal controls for the Group and therefore pleased to provide a Statement of Internal Control, which outlines the key elements of this system within the Group.

## BOARD'S RESPONSIBILITY

The Board of Directors recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board has the overall responsibility for the Group's system of internal controls and risk management practices, which is reviewed continuously for its adequacy and integrity. However it should be noted that such a system is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. The systems can therefore only provide reasonable, and not absolute, assurance against any material misstatement or losses.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives throughout the year under review and up to the date of this report. This process is regularly reviewed by the Board through its Audit Committee, which dedicates separate time for discussion of this matter.

## RISK MANAGEMENT POLICY AND FRAMEWORK

The Risk Management Committee, comprising members of senior management that was established in April 2002, has developed a Risk Management Policy and Framework for the Group. The Board had approved and accepted this risk policy, which now forms an integral part of good management practice for the Group. The purpose of this policy is to foster a proactive risk management culture within the Group's companies and departments. Compliance to the risk policy is mandatory and is subjected to close monitoring by the Board via the Internal Audit Department.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee. The effectiveness of the risk management system is monitored and evaluated by all levels of management, i.e. the Chief Risk Officers on an ongoing basis. All employees are encouraged to identify weaknesses so as to improve efficiency and effectiveness within the Group.

In embedding the risk management policy into the Group's management system, each Chief Operating Officer and/or the Head of Department acts as the Chief Risk Officer for his business unit and/or department. As such it is his responsibility for promoting and managing risk management and control systems within his unit and/or department.

The year had seen much progress with the approval of the risk management strategy. Resources were put in place to ensure that the objectives of this strategy were met. In its efforts to achieve these objectives, the Risk Management Committee carried out the following activities:

- Undertook the first revision of the Risk Management Policy in September 2003 which was duly completed in December 2003. This policy which was originally issued in March 2003 commenced its second revision in March 2004 and is expected to be completed by 30 June 2004. It has now been decided that all future revisions to this policy shall be conducted annually rather than on a bi-annual basis.
- As the Group faces a variety of risks in conducting its businesses, policies and procedures have been developed to enable it to respond to these risks. Formal procedures now exist to ensure that critical success factors are identified as part of the planning process. The risk profiles of each aspect of operations and changes in risk factors are taken into consideration during the budgeting and planning process.
- Reviewed the key business risks facing the Group including operational, legal, regulatory, financial, human resource, tax, technology and market risks identified in the revised Risk Management Policy. The monitoring, reviewing and reporting framework will give reasonable assurance that there is an acceptable level of risks throughout the Group's business.
- An on-going risk management process has been instituted at all levels of management within the organisation to identify and manage existing and new significant risks faced by the Group.

# STATEMENT OF INTERNAL CONTROL

## CONTROL SELF-ASSESSMENT OR RISK ASSESSMENT

Central to the Group's internal control and risk management systems is its Control Self-Assessment or Risk Assessment process. The Internal Audit Department has the task of monitoring, assessing and reporting on the compliance and effectiveness of these systems. A key Internal Control checklist has been developed, setting out the various key controls and process requirements across all business functions. This is updated regularly after taking into consideration changing risk profiles resulting from changes in the business environment, business strategies and functional activities. Significant business units, comprising the subsidiaries and relevant departments within the Group, are required to respond to the given internal control checklist on a quarterly basis and summary results of the assessment are reported by the Internal Audit Department to the Board via the Audit Committee.

## INTERNAL AUDIT FUNCTION

The internal audit function of the Group is carried out by an adequately resourced internal audit department, which provides the Board with much of the assurance it requires regarding the adequacy and effectiveness of the Group's system of controls, procedures and operations.

Internal audits are undertaken to provide independent assessments of the adequacy, efficiency and effectiveness of the Group's internal controls systems, and reports are made to the Audit Committee on a quarterly basis. The Audit Committee also has full access to both internal and external auditors and receives reports on all audits performed.

The internal audit function reviews the internal controls in the key activities of the Group's business based on the annual internal audit plan, which is presented to the Audit Committee for approval. Since the adoption of the Risk Management Policy and Framework, the internal audit function has taken on a risk-based approach when preparing its audit strategy and plans, after having considered the risk profiles of the operating companies and divisions of the Group.

The audit reports are reviewed by the Audit Committee on a quarterly basis and are then forwarded to the Management, so that any recommended corrective actions can be undertaken. The Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame. The Audit Committee presents its findings regularly to the Board.

## OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal control systems are described below:

- Defined delegation of responsibilities to committees of the Board and to Management, including organisation structures and appropriate authority levels
- Documented internal policies and procedures set out in the Group Procedures & Authorities (GPA) Manual, which are continuously reviewed and improved upon to reflect changes in business structures and processes
- The Board receives and reviews regular reports including key operating statistics from the Management on the performance of operating units
- A detailed budgeting process requires all business units to prepare budgets annually which are reviewed and approved by the Board
- The Board receives and reviews the quarterly financial information, which includes key performances and risk indicators

In addition, one of the Group's subsidiaries had been accorded the ISO 9001:2000 accreditation for its operational process.

## STATE OF INTERNAL CONTROL DURING THE PERIOD UNDER REVIEW

There were no material losses incurred during the year as a result of weaknesses in the system of internal control. Management continues to take measures to strengthen the control environment.

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# DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and rental of assets.

The principal activities of the subsidiary companies are set out in Note 31 to the financial statements. There have been no significant changes to the activities of the Group and the Company during the financial year.

## FINANCIAL RESULTS

	<b>Group</b> <b>RM'000</b>	<b>Company</b> <b>RM'000</b>
Profit/(loss) after taxation	8,363	(30,502)
Minority interests	(1,659)	0
Net profit/(loss) attributable to shareholders	<u>6,704</u>	<u>(30,502)</u>

## DIVIDENDS

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

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2003.

## RESERVES AND PROVISIONS

Material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## SHARE CAPITAL

During the financial year, the issued and fully paid-up share capital of the Company was increased from 537,507,530 ordinary shares of RM1.00 each to 582,877,030 ordinary shares of RM1.00 each by the issuance of 45,369,500 new ordinary shares to the Scheme Creditors (comprising financial institutional lenders and Euro Convertible Bond ("ECB") holders) as part of the Composite Debt Restructuring Scheme ("CDRS").

The new ordinary shares issued during the year pursuant to the CDRS ranked pari passu in all respects with the existing ordinary shares of the Company.

## DIRECTORS

The Directors who have held office during the period since the date of the last report are:

Datuk Oh Chong Peng	(Chairman)
M.R Gopala Krishnan C.R.K Pillai	(Managing Director)
General (R) Tan Sri Borhan Hj Ahmad	
Datuk Dr Salleh Mohd Nor	
Vice Admiral (R) Dato' Seri Ahmad Ramli Hj. Mohd Nor	
Dato' Dr A. Bakar Jaafar	
Rita Benoy Bushon	
Md Tarmuzi Md Salleh	
Mohamed Razeek Md Hussain Maricar	(resigned on the 31.8.2003)

In accordance with Article 93 of the Articles of Association of the Company, Datuk Dr Salleh Mohd Nor, Rita Benoy Bushon and Md Tarmuzi Md Salleh, retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

# DIRECTORS' REPORT (CONTINUED)

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or shares in or debentures of 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 as disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm in which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its related corporations are as follows:

	<b>Ordinary shares of RM1.00 each in the Company</b>			
	<b>At</b>			<b>At</b>
	<b>1.1.2003</b>	<b>Acquired</b>	<b>Disposed</b>	<b>31.12.2003</b>
Datuk Dr Salleh Mohd Nor	12,000	0	0	12,000
Dato' Dr A. Bakar Jaafar	0	100,000	0	100,000

	<b>Ordinary shares of A\$1.00 each in Overseas &amp; General Limited</b>			
	<b>At</b>			<b>At</b>
	<b>1.1.2003</b>	<b>Acquired</b>	<b>Disposed</b>	<b>31.12.2003</b>
M.R Gopala Krishnan C.R.K Pillai	15,000	0	0	15,000

No other Director in office at the end of the financial year held any interest in shares in or debentures of the Company and its related corporations.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

- to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

# DIRECTORS' REPORT (CONTINUED)

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

- (a) 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 liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

## OTHER STATUTORY INFORMATION

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In their opinion:

- (a) other than as disclosed in Notes 28 and 32 of the financial statements, 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; and
- (b) other than as disclosed in Note 34 of the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## SIGNIFICANT EVENTS

The significant events during the financial year are as follows:

- (a) On 4 April 2003, Overseas & General Limited ("OGL"), a 51% subsidiary company of L&G, entered into a Shareholders' cum Joint Venture Agreement with Protonweb Solutions Limited ("PSL") and Protonweb BPO Private Limited, whereby OGL and PSL will participate in and operate a joint venture company to carry on the business of information technology enabled services in India, specifically in the industry sub-sector of business process outsourcing.
- (b) On 30 April 2003, the Scheme Creditors and BDO Binders executed a Supplement Debt Restructuring Agreement to the Debt Restructuring Agreement ("DRA") dated 28 February 2002 between the aforesaid parties, which served to amend and vary certain terms of the DRA and the manner of implementing the CDRS as follows:
  - (i) To extend the last date for purposes of satisfying the conditions precedent to the DRA to 30 May 2003 or such later date as the majority of Scheme Creditors may agree; and
  - (ii) To vary the security in respect of certain unencumbered assets to be divested under the asset disposal programme forming part of the CDRS.

On 30 July 2003, the CDRS was completed and accordingly, the Company fully settled its total scheme borrowings of RM450,491,794. The effects of the implementation of the CDRS are as follows:

- (i) gain on write back of accrued interest of approximately RM28.1 million; and
- (ii) full settlement of borrowings totalling RM450,491,794 via the issue of 16,883,720 Redeemable Convertible Secured Loan Stock ("RCSLS") Series A ("RCSLS A") of RM1.00 each; the conversion of RM84,159,657 secured debts into secured new term loans ("NTL"); the issue of 304,078,917 RCSLS Series B ("RCSLS B") of RM1.00 each; and the issue of 45,369,500 new ordinary share of RM1.00 each.

# DIRECTORS' REPORT (CONTINUED)

## SIGNIFICANT EVENTS (CONTINUED)

- (c) On 7 October 2003, L&G entered into a Sale and Purchase Agreement to dispose of 16,493,757 ordinary shares of RM1 each representing its entire 51% equity interest in Lojing Highland Resort Development Sdn Bhd by way of tendering RCSLS B with aggregate face value of RM3,600,000 together with a cash sum of RM900,000. The disposal resulted in a gain at Group level and a loss at Company level of RM15,142,000 and RM3,206,000 respectively.

## SIGNIFICANT POST BALANCE SHEET EVENTS

- (a) On 2 March 2004, Lang Education Holdings Sdn Bhd ("LEH"), a wholly owned subsidiary of L&G, entered into a Share Sale Agreement with Rimbun Masyhur Sdn Bhd ("RMSB") to dispose 1,500,000 ordinary shares of RM1 each representing its entire 70% equity interest in L&G Twintech Sdn Bhd ("Twintech") and Lembah Beringin Sdn Bhd ("LBSB") entered into an Agreement with RMSB for the disposal of 50 acres of land in Lembah Beringin for a total purchase consideration of RM33,350,400 to be satisfied by way of tendering the RCSLS with an aggregate face value of RM28,347,840 together with a cash sum of RM5,002,560.
- (b) On 15 March 2004, the Company submitted to the Securities Commission, a proposal to issue up to 33,788,500 new ordinary shares of RM1 each, to identified property purchasers of LBSB and certain contractors and consultants of LBSB and Bandar Sungai Buaya Sdn Bhd ("BSB"). The proposed shares to be issued are for the settlement of amounts due by LBSB and BSB to property purchasers, contractors and consultants with regards to late delivery charges, contract expense payments and consultancy fees respectively.
- (c) On 18 March 2004, OGL entered into an agreement with L&G for the sale of certain assets in consideration of the early redemption of the convertible bonds in OGL held by L&G on the terms set out below:
- (i) The agreement is subject to and conditional upon the following:
- the Company having redeemed 4,450,000 convertible bonds within 14 days of the date of execution of the agreement for the sum of AUD4,450,000; and
  - the receipt of all necessary consents and shareholders' approvals.
- (ii) The transaction is divided into 2 separate tranches.
- In the first tranche, 6,200,000 convertible bonds will be cancelled in consideration for the transfer to L&G of the OGL's shareholding and beneficial interest in an investment in a quoted corporation and an investment in an associated company.
- The completion of this tranche will occur shortly after receipt of shareholders' approval.
- In the second tranche, 4,350,000 convertible bonds will be cancelled in consideration of OGL applying the final cash amount receivable by OGL under its Bank Islam (L) Ltd bank guarantee in favour of L&G.
- (d) On 19 March 2004, L&G and its wholly-owned subsidiary, Bestform Limited ("Bestform") entered into four separate Sale and Purchase of Shares Agreements ("SPS") for the proposed disposal of 7,735,220 ordinary shares of A\$1.00 each ("A Shares") representing approximately 51% equity interest and 66,061,666 Class B Convertible (Non-voting) ordinary shares of A\$1.00 each ("B Shares") in OGL, its subsidiary company operating in the timber segment. As a consequence of these disposals, the Group will cease operations in the timber segment.

The details of the disposals are as follows:

- (i) The disposal by L&G to Polaris Alliance Limited of 2,736,738 A Shares and 24,773,124 B Shares for a cash purchase consideration of A\$247,662.00 (equivalent to approximately RM700,809);

## DIRECTORS' REPORT (CONTINUED)

- (ii) The disposal by L&G to Quantum Logistics Limited of 2,432,656 A Shares and 22,020,555 B shares for a cash purchase consideration of A\$220,143.00 (equivalent to approximately RM622,939);
- (iii) The disposal by L&G to Richland Resources Limited of 2,128,576 A Shares and 19,267,987 B Shares for a cash purchase consideration of A\$192,626.00 (equivalent to approximately RM545,074); and
- (iv) The disposal by Bestform to Interlearn (Malaysia) Sdn Bhd of 437,250 A Shares for a cash purchase consideration of A\$39,569.00 (equivalent to approximately RM111,968).

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 April 2004.



**DATUK OH CHONG PENG**  
DIRECTOR



**M.R GOPALA KRISHNAN C.R.K PILLAI**  
DIRECTOR

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Oh Chong Peng and M.R Gopala Krishnan C.R.K Pillai, being two of the Directors of Land & General Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 34 to 89 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2003 and of the results and cash flows of the Group and the Company for the financial year ended on that date, in accordance with the applicable approved Accounting Standards in Malaysia and provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 April 2004.



**DATUK OH CHONG PENG**  
DIRECTOR



**M.R GOPALA KRISHNAN C.R.K PILLAI**  
DIRECTOR

## STATUTORY DECLARATION

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

I, M.R Gopala Krishnan C.R.K Pillai, the Director primarily responsible for the financial management of Land & General Berhad, do solemnly and sincerely declare that the financial statements set out on pages 34 to 89 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.



**M.R GOPALA KRISHNAN C.R.K PILLAI**

Subscribed and solemnly declared by the abovenamed M.R Gopala Krishnan C.R.K Pillai at Kuala Lumpur in Malaysia on 27 April 2004, before me.



Tingkat Bawah Wisma P.K.N.S.  
Jalan Raja Laut,  
50653 KUALA LUMPUR.  
TEL: 03-27323218

**MAISHARAH BINTI ABU HASAN**  
**W181**  
COMMISSIONER FOR OATHS

# REPORT OF THE AUDITORS

To THE MEMBERS OF LAND & GENERAL BERHAD (Company No. 5507-H)

We have audited the financial statements set out on pages 34 to 89. 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 conducted our audit in accordance with approved auditing standards 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared 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 matters required by Section 169 of the Companies Act, 1965 to be dealt in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2003 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 31 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

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

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

## PRICEWATERHOUSECOOPERS

(No. AF:1146)

Chartered Accountants

## SHIRLEY GOH

(No. 1778/08/04 (J))

Partner of the firm

27 April 2004

# INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue					
- continuing operations	4	194,806	197,124	18,636	84,344
- discontinuing operations					
- previous year	6(b)	0	68,494	0	0
- subsequent to year end	36	5,544	2,560	0	0
	4	200,350	268,178	18,636	84,344
Operating expenses					
- impairment losses of assets		(15,255)	(56,872)	(29,772)	(271,278)
- others		(201,567)	(271,719)	(27,857)	(34,058)
	7	(216,822)	(328,591)	(57,629)	(305,336)
Other operating income	9	53,091	53,808	1,971	44,786
Profit/(loss) from operations					
- continuing operations		36,602	(2,657)	(37,022)	(176,206)
- discontinuing operations					
- previous year	6(b)	0	2,544	0	0
- subsequent to year end	36	17	(6,492)	0	0
		36,619	(6,605)	(37,022)	(176,206)
Finance cost					
- interest waiver		28,132	0	28,132	0
- others		(47,755)	(58,050)	(21,621)	(32,228)
	10	(19,623)	(58,050)	6,511	(32,228)
Share of results of associates		638	14,841	0	0
Gain/(loss) on disposal of associates		386	86,632	(1,400)	163,472
		1,024	101,473	(1,400)	163,472
Share of results of jointly controlled entities		(1,857)	(634)	0	0
Profit/(loss) from ordinary activities before taxation		16,163	36,184	(31,911)	(44,962)
Tax					
- Company and subsidiaries		(7,703)	(13,793)	1,409	(22,857)
- associated companies		(97)	(897)	0	0
	11	(7,800)	(14,690)	1,409	(22,857)
Profit/(loss) from ordinary activities after taxation		8,363	21,494	(30,502)	(67,819)
Minority interests		(1,659)	5,526	0	0
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>6,704</b>	<b>27,020</b>	<b>(30,502)</b>	<b>(67,819)</b>
Earnings per share (sen)					
- basic	12	1.20	5.03		
- diluted	12	N/A	N/A		

The notes on pages 40 to 89 form part of these financial statements.

# BALANCE SHEETS

At 31 DECEMBER 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	13	461,637	400,293	27,424	22,514
Land held for property development	14(a)	442,951	426,388	0	0
Subsidiary					
- investments	15	0	0	407,501	314,191
- advances	15	0	0	25,361	25,361
Associated companies	16	8,936	4,657	0	31,222
Jointly controlled entities	17	(3,618)	(1,761)	0	0
Other investments	18	16,319	21,403	620	620
Deferred tax assets	19	446	825	0	0
		<u>926,671</u>	<u>851,805</u>	<u>460,906</u>	<u>393,908</u>
<b>CURRENT ASSETS</b>					
Property development costs	14(b)	50,535	104,301	0	0
Other assets	20	10,212	16,235	0	0
Inventories	21	193,649	71,955	0	0
Receivables	22	195,658	192,841	320,041	397,123
Tax recoverable		13,866	10,067	5,850	4,469
Deposits, cash and bank balances	23	95,696	102,374	19,155	24,612
		<u>559,616</u>	<u>497,773</u>	<u>345,046</u>	<u>426,204</u>
<b>LESS: CURRENT LIABILITIES</b>					
Payables	24	225,060	227,417	105,490	106,560
Short term borrowings					
- bank overdrafts	25	73,011	115,238	0	32,389
- others	25	197,306	556,297	12,166	393,318
Taxation		6,349	6,790	0	0
		<u>501,726</u>	<u>905,742</u>	<u>117,656</u>	<u>532,267</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>57,890</u>	<u>(407,969)</u>	<u>227,390</u>	<u>(106,063)</u>
		<u>984,561</u>	<u>443,836</u>	<u>688,296</u>	<u>287,845</u>
<b>LESS: NON CURRENT LIABILITIES</b>					
Deferred tax liabilities	19	33,812	19,885	0	4,228
Long term borrowings	26	603,530	157,788	389,869	58
		<u>637,342</u>	<u>177,673</u>	<u>389,869</u>	<u>4,286</u>
		<u>347,219</u>	<u>266,163</u>	<u>298,427</u>	<u>283,559</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	27	582,877	537,507	582,877	537,507
Share premium		133,003	133,003	133,003	133,003
Reserves		145,513	116,284	0	0
Accumulated losses		(524,429)	(531,133)	(417,453)	(386,951)
		<u>336,964</u>	<u>255,661</u>	<u>298,427</u>	<u>283,559</u>
Minority interests		10,255	10,502	0	0
		<u>347,219</u>	<u>266,163</u>	<u>298,427</u>	<u>283,559</u>

The notes on pages 40 to 89 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	Issued and fully paid ordinary shares of RM1 each			Revaluation reserve	Capital redemption reserve	Non-distributable		Accumulated losses	Total
		Number of shares '000	Nominal value RM'000	Share premium RM'000			Reserve on consolidation RM'000	Foreign exchange reserve RM'000		
<b>2003</b>										
At 1 January										
- as previously reported		537,507	537,507	133,003	689	84	34,375	81,136	(523,967)	262,827
- prior year adjustment	28	0	0	0	0	0	0	0	(7,166)	(7,166)
- as restated		537,507	537,507	133,003	689	84	34,375	81,136	(531,133)	255,661
Issue of shares		45,370	45,370	0	0	0	0	0	0	45,370
Profit for the financial year		0	0	0	0	0	0	0	6,704	6,704
Currency translation differences not recognised in the income statement		0	0	0	0	0	0	39,378	0	39,378
Reserve on consolidation relating to subsidiary disposed off	6(a)	0	0	0	0	0	(10,149)	0	0	(10,149)
At 31 December		582,877	582,877	133,003	689	84	24,226	120,514	(524,429)	336,964
<b>2002</b>										
At 1 January										
- as previously reported		537,507	537,507	133,003	337	41	32,638	70,210	(557,467)	216,269
- prior year adjustment	28	0	0	0	0	0	0	0	2,082	2,082
- as restated		537,507	537,507	133,003	337	41	32,638	70,210	(555,385)	218,351
Profit for the financial year		0	0	0	0	0	0	0	27,020	27,020
Currency translation differences not recognised in the income statement		0	0	0	0	0	0	10,926	0	10,926
Movement in reserves		0	0	0	352	43	1,737	0	(2,768)	(636)
At 31 December		537,507	537,507	133,003	689	84	34,375	81,136	(531,133)	255,661

The notes on pages 40 to 89 form part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Accumulated losses RM'000	Total RM'000
		Number of shares '000	Nominal value RM'000	Share premium RM'000		
<b>2003</b>						
At 1 January		537,507	537,507	133,003	(386,951)	283,559
Issue of shares	27	45,370	45,370	0	0	45,370
Loss for the financial year		0	0	0	(30,502)	(30,502)
At 31 December		<u>582,877</u>	<u>582,877</u>	<u>133,003</u>	<u>(417,453)</u>	<u>298,427</u>
<b>2002</b>						
At 1 January		537,507	537,507	133,003	(319,132)	351,378
Loss for the financial year		0	0	0	(67,819)	(67,819)
At 31 December		<u>537,507</u>	<u>537,507</u>	<u>133,003</u>	<u>(386,951)</u>	<u>283,559</u>

The notes on pages 40 to 89 form part of these financial statements.

# CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers		241,455	229,028	18,658	378
Cash paid to suppliers and employees		(225,827)	(202,838)	(19,391)	(17,661)
Taxation paid		(5,515)	(3,559)	0	(754)
Tax refund		0	0	216	0
Other operating receipts		839	1,110	450	0
Other operating payments		0	(7,497)	0	0
Net cash inflow/(outflow) from operating activities		10,952	16,244	(67)	(18,037)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additional investment in subsidiary companies	5	0	(13,920)	0	(13,920)
Acquisition of investment in associated company		(9,492)	0	0	0
Proceeds from subsidiaries disposed					
- current year	6(a)	849	0	900	0
- previous year	6(c)	0	34,324	0	30,000
- prior year (2001)		5,311	5,467	0	0
Proceeds from redemption of Redeemable Preference Shares of a subsidiary		0	0	0	14,000
Redemption of Redeemable Preference Shares to a minority shareholder		0	(28,500)	0	0
Proceeds from disposal of shares in an associated company		0	9,594	0	0
Proceeds from disposal in quoted shares		3,566	0	0	0
Interest received		2,451	2,735	0	641
Advances to subsidiaries		0	0	0	(5,590)
Purchase of property, plant and equipment		(1,926)	(4,005)	(484)	(1)
Proceeds from disposal of property, plant and equipment		3,315	46,605	3,128	179
Dividends received		184	12,425	890	12,112
Others		521	2,651	0	0
Net cash inflow from investing activities		4,779	67,376	4,434	37,421

# CASH FLOW STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from short term loans		99,421	3,832	0	0
Repayment of term loans		(80,839)	(9,572)	0	0
Overdrafts settled under the Composite Debt Restructuring Scheme	26	32,715	15,379	32,715	15,379
Fixed deposits held as security for borrowings		187	(1,000)	0	0
Interest payments		(37,374)	(39,392)	(10,044)	(18,158)
Dividends paid to minority shareholders		(104)	(75)	0	0
Loan from subsidiaries		0	0	0	13,549
Others		(736)	(2,219)	(142)	(1,860)
Net cash outflow/(inflow) from financing activities		13,270	(33,047)	22,529	8,910
NET INCREASE IN CASH AND CASH EQUIVALENTS		29,001	50,573	26,896	28,294
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		(14,624)	(66,187)	(8,535)	(36,829)
FOREIGN EXCHANGE DIFFERENCES ON OPENING BALANCES		6,736	990	0	0
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	23	21,113	(14,624)	18,361	(8,535)

The principal non-cash transactions during the financial year are disclosed in Note 26 to the financial statements.

The notes on pages 40 to 89 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

## 1 GENERAL INFORMATION

The principal activities of the Company are investment holding and rental of assets.

The principal activities of the subsidiary companies are set out in Note 31 to the financial statements. There have been no significant changes to the activities of the Group and the Company during the financial year.

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

The address of the registered office of the Company is 2nd Floor, 7 Persiaran Dagang, Bandar Sri Damansara, 52200 Kuala Lumpur, Malaysia.

The number of employees in the Group and the Company at the end of the financial year were 895 and 63 (2002: 813 and 68) persons respectively.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements comply with the applicable Approved Accounting standards in Malaysia and the provisions of the Companies Act 1965. The new accounting standards adopted in these financial statements are as follows:

- MASB 25 "Income Taxes"
- MASB 27 "Borrowing Costs"
- MASB 28 "Discontinuing Operations"
- MASB 29 "Employee Benefits"
- MASB 32 "Property Development Activities"

With the exception of MASB 25 and MASB 32 (Note 28), there are no changes in accounting policies that affect net profit or shareholders' equity. The Group is implementing MASB 32 in advance of its effective date of 1 January 2004 (Note 28).

The preparation of financial statements in conformity with the provisions of the Companies Act 1965 and the applicable Approved Accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

### (b) Basis of Consolidation

#### Subsidiaries

Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition (other than costs of issuing shares and other capital instruments). At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill or negative goodwill.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of Consolidation (Cont'd)

#### Subsidiaries (Cont'd)

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

In a piecemeal acquisition, no fair value adjustment attributable to previously held equity interests is accounted for as post-acquisition revaluation.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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

#### Jointly Controlled Entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties. The Group's interest in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of jointly controlled entities in the income statement and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated amortisation). Equity accounting is discontinued when the carrying amount of the investment in a jointly controlled entity reaches zero, unless the Group has incurred obligations or made payments on behalf of the jointly controlled entity.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Where necessary, in applying the equity method, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

#### Associates

Associates are enterprises in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of associates in the income statement and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated amortisation). Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of Consolidation (Cont'd)

#### Transaction Costs

External costs directly attributable to an acquisition, other than costs of issuing shares and other capital instruments, is included as part of the cost of acquisition.

### (c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the fair value of their identifiable net assets at the date of the acquisition.

Goodwill on acquisition of subsidiary companies occurring on or after 1 January 2002 are included in the balance sheet as intangible assets at cost. Goodwill on acquisition of jointly controlled entities and associates occurring on or after 1 January 2002 are included in investments in jointly controlled entities and associates respectively. When an indication of impairment exists, the carrying amount of the goodwill is assessed and written down immediately to its recoverable amount and the decrease is charged to the income statement.

Negative goodwill represents the excess of the fair value of the Group's share of identifiable net assets acquired over the cost of acquisition and is credited to reserves in the year of acquisition. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

Goodwill on acquisitions that occurred prior to 1 January 2002 was charged in full to shareholders' equity; such goodwill has not been retrospectively capitalised as it was impractical to reinstate.

### (d) Investments

Investment in subsidiaries, jointly controlled entities and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Marketable securities (within current assets) are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

### (e) Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses if any.

Freehold land is not depreciated as it has an infinite life. Leasehold land is amortised in equal instalments over the period of the respective leases that range from 26 to 99 years. Leasehold building is amortised in equal instalments over the period of the respective leases that range from 26 to 50 years. Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Freehold buildings	2% - 10%
Plant and machinery	5% - 30%
Motor vehicles	20%
Furniture, fittings and equipment	7.5% - 30%

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Property, Plant and Equipment (Cont'd)

Depreciation on assets under construction commences when the assets are ready for their intended use.

At each balance sheet date, the Group reviews whether there is any indication of impairment. If any such indication exists, the carrying value of the asset will be reduced to its recoverable amount and the impairment loss is charged to the income statement. See accounting policy 2(f) on impairment of assets.

The Directors have applied the transitional provision provided by the Malaysian Accounting Standards Board upon first adoption of the MASB Approved Accounting Standard on property, plant and equipment which allow for freehold and leasehold land and buildings to be stated at their last revalued amounts less accumulated depreciation. Accordingly, these valuations have not been updated.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the period in which they are incurred.

### (f) Impairment of Assets

Property, plant and equipment and other non-current assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may be not recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

### (g) Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset and the lease term in accordance with the policy set out in Note 2(e) above.

### (h) Property Development Activities

#### Land Held for Property Development

Land held for property development consist of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(f) on impairment of assets.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Property Development Activities (Cont'd)

#### Land Held for Property Development (Cont'd)

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle of 2 to 4 years.

#### Property Development Costs

Property development costs comprise costs associated with the acquisition of land and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion that property development costs incurred bear to the estimated total costs for the property development.

When the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable; property development costs on the development units sold are recognised when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

Where revenue recognised in the income statement exceed billings to purchasers, the balance is shown as accrued billings under receivables, deposits and prepayments (within current assets). Where billings to purchasers exceed revenue recognised in the income statement, the balance is shown as progress billings under payables (within current liabilities).

### (i) Inventories and Other Assets

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using first in, first out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and appropriate proportion of production overheads (based on normal capacity) period. The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

#### Other Assets

Other assets comprising property, plant and equipment of subsidiary companies which have ceased operations are stated at the lower of cost and net realisable value.

### (j) Revenue Recognition

Revenue are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

Revenue relating to development properties are accounted for under the percentage of completion method. The stage of completion is determined by survey of work performed. Anticipated losses, including liquidated ascertained damages are immediately recognised in the income statement.

Other revenues earned by the Group are recognised on the following bases:

Rental income	-	on an accrual basis in accordance with the substance of the relevant agreements;
Interest income	-	on advances to subsidiaries and related companies, interest is accrued unless recoverability is in doubt;
Dividend income	-	the right to receive payment is established; and
Management fees	-	on an accrual basis.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, associates or joint ventures on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred tax.

### (l) Employee Benefits

#### Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### Defined Contribution Plans

The Group's contributions to a defined contribution plan namely the Employee Provident Fund are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further obligations.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

### (m) Foreign Currencies

#### Reporting Currency

The financial statements are presented in Ringgit Malaysia.

#### Foreign Entities

The Group's foreign entities are those operations that are not an integral part of the operations of the Company. Income statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the period and the balance sheets are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign entities are taken to 'Foreign exchange reserves' in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and are translated accordingly at the exchange rate ruling at the date of the transaction.

#### Foreign Currency Transactions and Balances

Foreign currency transactions in Group companies are accounted for at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Foreign Currencies (Cont'd)

#### Closing Rates

The principal closing rates used in translation of foreign currency amounts are as follows:

<u>Foreign Currency</u>	<u>31.12.2003</u> RM	<u>31.12.2002</u> RM
1 Australian Dollar	2.83	2.14
1 British Pound Sterling	6.73	6.07
1 Fijian Dollar	2.20	1.86
1 Papua New Guinea Kina	1.15	0.92
1 Singapore Dollar	2.22	2.18
1 US Dollar	3.80	3.80

### (n) Capitalisation of Borrowing Costs

Borrowing costs incurred on external borrowings relating to property, plant and equipment and development properties under construction is capitalised. Borrowing costs relating to property, plant and equipment is capitalised as part of the cost of assets during the financial year or time that is required to complete and prepare the assets for their intended use.

Borrowing costs to development properties is capitalised during the period in which the activities to prepare and develop the properties are carried out.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

### (o) Trade Receivables

Trade receivables are carried at invoiced amount less an allowance for doubtful debts. The allowance is established by an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount and the recoverable amount. Bad debts are written off when identified.

### (p) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

### (q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (r) Financial Instruments

#### Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Financial Instruments (Cont'd)

#### Financial Instruments Recognised on the Balance Sheet

##### **Compound Financial Instruments**

On issue of a financial instrument that contains both a liability and an equity component, the fair value of the liability portion is determined using a market interest rate for an equivalent financial instrument; this amount is carried as liability on the amortised cost basis until extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity; the value of the conversion option is not changed in subsequent periods.

The Group has taken advantage of the exemption provided by MASB 24 "Financial Instruments: Disclosure and Presentation" not to reclassify compound instruments issued by the Group prior to 1 April 2003 into liability and equity components. These instruments (together with the associated interest, dividends or other distributions) continue to be classified according to their legal form.

##### **Other Financial Instruments**

The particular recognition method adopted for other financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

#### Fair Value Estimation for Disclosure Purposes

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date.

However, for a portion of the Group's and the Company's financial instruments, quoted market prices do not exist. For such financial instruments, fair value presented are estimates derived using the net present value or other valuation techniques. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding the characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

The carrying values of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values except as disclosed in the relevant notes to financial statements.

The carrying values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

### (s) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### (t) Share Capital

#### Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instruments classified as an equity instrument is charged directly to equity.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Share Capital (Cont'd)

#### Share Issue Cost

Incremental external costs directly attributable to the issue of new shares are charged against the share premium account.

#### Dividends to Shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statement are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings to a "proposed dividend reserves". Upon the dividend becoming payable, it will be accounted for as a liability.

### (u) Segment Reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including:

- foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates;
- interest rate risk – risk that the value of a financial instrument will fluctuate due to changes in market interest rates;
- market risk – risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer;
- credit risk – risk that one party to a financial institution will fail to discharge an obligation and cause the other party to incur a financial loss;
- liquidity risk (funding risk) – risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments; and
- cash flow risk – risk that future cash flows associated with a financial instrument will fluctuate.

The Group's overall financial risk management objective is to ensure that the Group creates value for its stakeholders. The Group adopts financial risk management policies and guidelines which sets out its overall business strategies, its tolerance to risks and its general risk management philosophy and have established processes to monitor and minimise potential adverse effects of these risks on the financial performance of the Group. Such policies are reviewed periodically by the Board of Directors, and quarterly reviews of internal control systems are undertaken to ensure that the Group's policy guidelines are adhered to.

#### Foreign Currency Exchange Risk

The Group is exposed to currency risk as a result of foreign currency transactions entered into by subsidiaries in currencies other than their functional currency. The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in currency other than Ringgit Malaysia. Foreign currency denominated assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currency give rise to foreign exchange exposures. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debt instruments.

### Market Risk

The Group awards its construction contracts via tenders, and enters into physical agreements with the successful contractors at agreed costs. Additionally, the Group endeavours to sell its products to a minimum acceptable level before committing to construction. The Group sells its products and services to a large number of customers comprising the Group's customer base and is dispersed across different industries and geographical areas. This ensures that the Group does not face significant exposure from the risk of changes in market forces.

The Group's exposure to risk and equity prices is set out in Note 2(r).

### Credit Risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history. Credit risk with respect to trade receivables is limited due to the large number of customers obtaining end financing from licensed financial institutions.

The Company has no significant concentrations of credit risks except that the majority of its deposits are placed with major financial institutions in Malaysia.

### Liquidity and Cash Flow Risk

As part of its prudent liquidity risk management, the Group maintains sufficient cash and cash equivalents to meet its working capital requirements.

## 4 REVENUE

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Continuing operations:				
Property development	118,179	129,483	0	0
Rendering of services	35,209	28,046	0	0
Dividends receivable				
- subsidiary companies				
unquoted in Malaysia	0	0	15,657	71,433
- associated company,				
quoted in Malaysia	0	0	0	2,922
Interest income				
- subsidiary companies	0	0	1,908	8,441
- third parties	387	681	387	681
Rental income				
- subsidiary companies	0	0	434	434
- third parties	35,824	31,013	0	0
Others	5,207	7,901	250	433
	<u>194,806</u>	<u>197,124</u>	<u>18,636</u>	<u>84,344</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 4 REVENUE (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Discontinuing operations:				
previous year				
- sales of goods	0	68,494	0	0
subsequent to year end				
- sales of goods	5,544	2,560	0	0
	<u>5,544</u>	<u>71,054</u>	<u>0</u>	<u>0</u>
	<u>200,350</u>	<u>268,178</u>	<u>18,636</u>	<u>84,344</u>

## 5 ACQUISITION OF ADDITIONAL SHARES IN SUBSIDIARY COMPANIES (2002)

In the previous financial year, the Company acquired as part of the KL-Kepong Property Holdings Sdn Bhd ("KLKPH") settlement, the remaining 30% interest in ordinary shares in Lembah Beringin Sdn Bhd ("LB"), Clarity Crest Sdn Bhd and Key Century Sdn Bhd. These subsidiary companies subsequently became wholly owned subsidiary companies of L&G. L&G further acquired 6,600 Redeemable Preference Shares ("RPS") owned by KLKPH in LB.

The effects of the acquisition of additional shares in the above subsidiary companies on the financial position of the Group are as follows:

	<u>Group</u> <u>At the date</u> <u>of acquisition</u> <u>RM'000</u>
Property, plant and equipment	48,143
Land held for property development	9,655
Development properties	220,883
Current assets	160,088
Current liabilities	(475,631)
Non current liabilities	(5,309)
Adjusted net assets	<u>(42,171)</u>
Group's share of net assets	(12,651)
Minority share of losses absorbed by holding company	21,708
	<u>9,057</u>
Reserve on consolidation	(1,737)
	<u>7,320</u>
Acquisition of RPS in LB	6,600
	<u>13,920</u>

The total purchase consideration in cash of the above acquisition of additional shares in subsidiary companies was RM13,920,000.

The net profit after tax and minority interest increased by RM33,000 as a result of the acquisition of additional shares in the above subsidiary companies from the acquisition date to the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 6 DISCONTINUED OPERATIONS, DISPOSAL, LIQUIDATION AND DEREGISTRATION OF SUBSIDIARY COMPANIES

### (a) Disposals and Liquidation of Subsidiary Companies

Lojing Highland Resort Development Sdn Bhd ("Lojing Highland Resort") and Tinjau Cekap Sdn Bhd ("Tinjau Cekap"), subsidiary companies operating in the property segment, were both disposed of on 7 October 2003 and 7 August 2003 respectively for net proceeds of RM4.5million and RM700 respectively.

The disposal of Lojing Highland Resort was by way of tendering RCSLS B with an aggregate face value of RM3,600,000 together with a cash sum of RM900,000. As a result of this, Lojing Highland Floriculture Sdn Bhd, a subsidiary company of Lojing Highland Resort was effectively disposed, and RCSLS B amounting to RM3.6 million was redeemed.

During the year, the Company liquidated several inactive subsidiary companies. The details of the liquidated companies are disclosed in Note 15 to the financial statements.

The effects of the above disposals and liquidation on the results of the Group for the current period to the respective dates of disposal of these subsidiary companies are as follows:

	Group	
	<u>Up to date of disposals</u> RM'000	<u>Year ended 31.12.2002</u> RM'000
Net operating income/(cost)	56	(21,141)
Gain on disposal of subsidiary companies (Note (i))	15,142	0
Profit/(loss) before tax	15,198	(21,141)
Tax	1,866	0
Net profit/(loss) after tax	17,064	(21,141)

Note (i) : The gain on disposals is the difference between net disposal proceeds and the Group's share of its net assets and goodwill taken to reserves.

The effects of the disposal and liquidation on the financial position of the Group are as follows:

	Group	
	<u>At date of disposals</u> RM'000	<u>31.12.2002</u> RM'000
Property, plant and equipment	5,082	5,616
Other investment	90	90
Current assets	61,570	61,437
Current liabilities	(65,823)	(57,908)
Net assets	919	9,235
Reclassification from shareholders' equity:		
- realisation of reserve on consolidation	(10,149)	
Gain on disposals	15,142	
Minority interest disposed of	(1,412)	
Net proceeds from disposal	4,500	
Payment by tendering RCSLS	(3,600)	
Cash consideration	900	
Cash and cash equivalents (bank overdrafts) of subsidiary companies disposed of	(51)	
Net cash inflow from disposals	849	

The disposals of the Lojing Highland Resort and Tinjau Cekap gave rise to an aggregate loss of RM3,206,000 in the financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 6 DISCONTINUED OPERATIONS, DISPOSAL, LIQUIDATION AND DEREGISTRATION OF SUBSIDIARY COMPANIES (CONTINUED)

### (b) Discontinued Operations of Previous Year (2002)

Perlis Consolidated Sdn Bhd ("PCSB") and Industrial Resins (Malaysia) Berhad ("IRM"), subsidiary companies operating in the petrochemical segment, were disposed off on 18 September 2002 and 10 October 2002 respectively for net proceeds of RM1 and RM30 million respectively. As a consequence of these disposals, the Group ceased operations in the petrochemical segment. PCSB and IRM operate in Malaysia.

The effects of the discontinued operations on the results of the Group for the current period to the dates of disposal of the subsidiary companies are as follows:

	<b>Group Up to date of disposals RM'000</b>
Sales	68,494
Operating costs	(66,823)
Gain on disposal of subsidiary companies (Note (i))	873
	<hr/>
Profit/(loss) from operations	2,544
Share of jointly controlled entity	(54)
Finance cost	(1,113)
	<hr/>
Profit/(loss) before tax	1,377
Tax	(571)
	<hr/>
Net profit/(loss) after tax	<u>806</u>

Note (i) : The gain arising on the discontinued operations is the difference between net disposal proceeds and the Group's share of its net assets, the exchange differences which were not previously recognised in the consolidated income statement and goodwill taken to reserves.

The effects of the discontinued operations on the financial position of the Group are as follows:

	<b>Group At dates of disposals RM'000</b>
Property, plant and equipment	49,424
Investment in joint ventures	254
Current assets	49,251
Current liabilities	(65,434)
Long term liabilities	(4,368)
	<hr/>
Net assets	29,127
Gain on disposals	873
	<hr/>
Net disposal proceeds – cash consideration	30,000
Cash and cash equivalents (bank overdrafts) of subsidiary companies disposed of	468
	<hr/>
Net cash inflow from disposals	<u>30,468</u>

The disposals of PCSB and IRM gave rise to an aggregate loss of RM3,947,000 in the financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 6 DISCONTINUED OPERATIONS, DISPOSAL, LIQUIDATION AND DEREGISTRATION OF SUBSIDIARY COMPANIES (CONTINUED)

### (c) Disposals, Liquidation and Deregistration of Subsidiary Companies of Previous Year (2002)

Kinley Limited ("Kinley"), a subsidiary company operating in the timber segment, was disposed on 12 December 2002 for a net proceed of RM11.4 million. As a result of this, Baines Limited ("Baines"), a subsidiary company of Kinley and PT Wapoga Mutiara Industries, a subsidiary company of Baines were effectively disposed.

In the previous financial year, the Company liquidated and deregistered several inactive subsidiary companies. The effects of the disposals, liquidation and deregistration on the results of the Group for the previous financial year to the dates of disposal, liquidation and deregistration of subsidiary companies were as follows:

	<b>Group Up to date of disposals, liquidation and deregistration RM'000</b>
Sales	0
Operating costs	(122)
Gain on disposal of subsidiary companies (Note (i))	13,597
Finance cost	(239)
	<hr/>
Profit/(loss) before tax	13,236
Tax	(737)
	<hr/>
Net profit/(loss) after tax	12,499
	<hr/> <hr/>

Note (i) : The gain arising on the discontinued operations is the difference between net disposal proceeds and the Group's share of its net assets, the exchange differences which were not previously recognised in the consolidated income statement and goodwill taken to reserves.

The effects of the disposal, liquidation and deregistration on the financial position of the Group are as follows:

	<b>Group At date of disposals, liquidation and deregistration RM'000</b>
Property, plant and equipment	14,577
Property, plant and equipment held for disposal	14,118
Current assets	15,701
Current liabilities	(151,048)
Long term liabilities	(31,892)
	<hr/>
Net liabilities	(138,544)
Intercompany balances written off	136,347
Gain on disposals	13,597
	<hr/>
Net disposal proceeds	11,400
Cash and cash equivalents (bank overdrafts) of subsidiary companies disposed of	1,956
	<hr/>
Net cash inflow from disposals, liquidation and deregistration	13,356
Net cash inflow from discontinued operations (Note 6(b))	30,468
	<hr/>
	43,824
Unpaid amount included in other receivables	(9,500)
	<hr/>
Net cash inflows received during the financial year	34,324
	<hr/> <hr/>

The disposal of the Kinley Group gave rise to a gain of RM47,790,000 in the financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 7 OPERATING EXPENSES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Property development expenditure recognised as expense	89,663	111,669	0	0
Raw materials and consumables used	8,216	63,715	0	0
Impairment losses and write off of property, plant and equipment	10,286	34,590	4,250	0
Staff costs*	24,485	28,737	3,258	4,225
Allowance for diminution in value of investments				
- subsidiary companies	0	0	0	252,892
- others	4,749	15,639	25,522	18,386
Allowance for doubtful debt				
- intercompany balances	0	0	2,489	19,304
- third parties	6,475	11,003	1,528	3,486
Depreciation of property, plant and equipment	15,462	9,988	759	830
Liquidated ascertained damages	12,831	8,077	0	0
Statutory payments, quit rent and assessment	5,925	7,386	127	66
Upkeep, repairs and maintenance of assets	6,289	6,364	288	312
Write down of development properties	0	5,757	0	0
Utilities and fuel	4,317	5,249	125	154
Restructuring, legal and professional fees	5,416	3,884	2,272	985
Franchise fee and club operator costs	3,761	3,762	0	0
Unrealised foreign exchange (gain)/loss	(635)	1,316	8,097	2,981
Write down of other investments and assets	0	886	0	0
Freight, transportation and duties	0	823	0	0
Advertising expenses	2,107	818	3	9
Rental of land and buildings	1,897	808	261	281
Auditors' remuneration				
- audit fees	595	522	72	72
- non audit fee	580	838	0	411
Realised foreign exchange loss/(gain)	710	417	(151)	0
Changes in inventories of raw materials, work in progress and finished goods	0	(5,492)	0	0
Loss on disposal of subsidiary companies	0	0	3,206	0
Property maintenance charges	2,214	4,026	0	0
Security charges	2,478	2,090	0	0
Other operating expenses	9,001	5,719	5,523	942
	<u>216,822</u>	<u>328,591</u>	<u>57,629</u>	<u>305,336</u>

\* Analysis of staff costs are as follows:

Wages, salaries and bonus	18,561	20,078	2,586	2,831
Defined contribution retirement plan	1,939	2,283	268	349
Other employment benefits	3,985	6,376	404	1,045
	<u>24,485</u>	<u>28,737</u>	<u>3,258</u>	<u>4,225</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 8 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year were as follows:

### Non-executive Directors

Datuk Oh Chong Peng  
 General (R) Tan Sri Borhan Hj Ahmad  
 Datuk Dr. Salleh Mohd Nor  
 Vice Admiral (R) Dato' Seri Ahmad Ramli Hj Mohd Nor  
 Dato' Dr. A. Bakar Jaafar  
 Rita Benoy Bushan  
 Md Tarmuzi Md Salleh

### Executive Directors

M.R Gopala Krishnan C.R.K Pillai  
 Mohamed Razeek Hussain (resigned on the 31.8.2003)

The aggregate amount of emoluments receivable by Directors of the Company during the financial year was as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Non-executive Directors:				
- fees	355	340	355	340
Executive Directors:				
- salaries and other emoluments	746	838	746	838
- estimated money value of benefits-in-kind (not charged to the income statement)	32	39	32	39
- defined contribution plan	37	41	37	41
	<u>1,170</u>	<u>1,258</u>	<u>1,170</u>	<u>1,258</u>

## 9 OTHER OPERATING INCOME

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Other operating income consist of:				
Land tax, rates and other charges				
billable from tenants	12,547	9,700	0	0
Rental income	1,861	1,722	339	423
Gain on disposal of property, plant and equipment	6,934	17,609	1,430	197
Gain on disposal, liquidation and deregistration of subsidiary companies	15,142	14,470	0	43,843
Interest income	2,811	2,856	0	0
Others	13,796	7,451	202	323
	<u>53,091</u>	<u>53,808</u>	<u>1,971</u>	<u>44,786</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

**10 FINANCE COST**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest expense on:				
Term loans and short term borrowings	29,084	38,644	7,892	16,438
Leases and hire purchases	117	74	28	17
Bank overdrafts	7,723	10,070	1,177	3,695
Euro Convertible Bonds	4,060	9,262	4,060	9,262
Intercompany loans/advances	0	0	1,693	2,816
Redeemable Convertible Secured Loan Stocks	6,771	0	6,771	0
Interest waiver on completion of Composite Debt Restructuring Scheme	(28,132)	0	(28,132)	0
	<u>19,623</u>	<u>58,050</u>	<u>(6,511)</u>	<u>32,228</u>

**11 TAXATION**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current tax:				
- Malaysian tax	724	3,868	2,819	19,752
- foreign tax	0	47	0	0
Deferred tax (Note 19)	7,076	10,775	(4,228)	3,105
	<u>7,800</u>	<u>14,690</u>	<u>(1,409)</u>	<u>22,857</u>
<u>Current tax</u>				
Current year	168	3,178	2,819	19,752
(Over)/under accrual in prior years (net)	(1,548)	4,117	0	(209)
<u>Deferred tax</u>				
Origination and reversal of temporary differences	8,805	7,098	(4,228)	3,314
Benefit from previously unrecognised tax loss	375	297	0	0
	<u>7,800</u>	<u>14,690</u>	<u>(1,409)</u>	<u>22,857</u>

The explanation of the relationship between tax expense and profit from ordinary activities before tax is as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit/(loss) from ordinary activities before tax	16,163	36,184	(31,911)	(44,962)
Tax calculated at the Malaysian tax rate of 28% (2002: 28%)	4,526	10,132	(8,935)	(12,589)

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

**11 TAXATION (CONTINUED)**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax effects of:				
- different tax rates in other countries	521	1,608	0	0
- expenses not deductible for tax purposes	27,982	51,540	13,045	36,403
- income not subject to tax	(26,643)	(62,503)	(5,706)	(2,610)
- utilisation of current year's tax losses	(4,089)	(1,585)	0	(1,243)
- utilisation of previously unrecognised tax losses and capital allowances	(375)	(297)	0	0
- deferred tax assets not recognised during the year	7,426	11,678	187	3,105
- over/(under) accrual in prior years (net)	(1,548)	4,117	0	(209)
Tax expense	7,800	14,690	(1,409)	22,857

**12 EARNINGS PER SHARE**

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the year.

	Group	
	2003	2002
Net profit for the financial year (RM'000)	6,704	27,020
Weighted average number of ordinary shares in issue('000)	560,192	537,507
Basic earnings per share (sen)	1.20	5.03

There is no diluted earnings per share as the effect of the RCLS is anti dilutive.

**13 PROPERTY, PLANT AND EQUIPMENT**

	Freehold	Freehold	Long	Short	Leasehold	Plant and	Motor	Furniture,	Assets	Total
	land	buildings	leasehold	leasehold	buildings	machinery	vehicles	fittings and	under	
	RM'000	RM'000	land	land	RM'000	RM'000	RM'000	equipment	construction	RM'000
<b>GROUP</b>										
<b>2003</b>										
Net book value at 1.1.2003	165,882	96,009	8,088	4,379	14,084	66,270	1,776	23,778	20,027	400,293
Exchange rate adjustments	11,882	22,470	(295)	0	0	22,577	(583)	5,449	15	61,515
Additions	19,137	254	232	0	0	437	2,282	1,135	0	23,477
Disposal of subsidiary company	0	0	0	(5,070)	0	0	0	(12)	0	(5,082)
Disposals	0	0	0	0	(3,294)	0	(170)	(92)	0	(3,556)
Assets written off	0	0	0	0	0	(72)	(26)	(122)	0	(220)
Reclassification of assets	502	47	165	9,280	(9,994)	6,109	0	(6,048)	(61)	0
Transfer from property development costs	7,568	2,954	0	0	0	0	0	436	0	10,958
Impairment losses	0	(4,250)	0	(6,036)	0	0	0	0	0	(10,286)
Depreciation	0	(3,718)	(1)	(530)	(796)	(6,178)	(373)	(3,866)	0	(15,462)
Net book value at 31.12.2003	204,971	113,766	8,189	2,023	0	89,143	2,906	20,658	19,981	461,637

The book values have been adjusted for impairment to reflect the recoverable values, which is based on net estimated selling price, as at the respective balance sheet dates.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Freehold buildings	Long leasehold land	Short leasehold land	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Assets under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>GROUP</b>										
<b>2003</b>										
At cost	200,411	140,862	8,656	25,673	0	157,316	5,961	57,152	19,981	616,012
At valuation	4,560	4,301	0	0	0	0	0	0	0	8,861
Accumulated depreciation	0	(27,147)	(467)	(17,614)	0	(68,173)	(3,055)	(36,494)	0	(152,950)
Accumulated impairment losses	0	(4,250)	0	(6,036)	0	0	0	0	0	(10,286)
Net book value	204,971	113,766	8,189	2,023	0	89,143	2,906	20,658	19,981	461,637

	Freehold land	Freehold buildings	Long leasehold land	Short leasehold land	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Assets under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>GROUP</b>										
<b>2002</b>										
Net book value at 1.1.2002	209,586	97,066	11,582	32,123	29,635	98,513	2,532	22,969	17,575	521,581
Exchange rate adjustments	4,765	6,936	242	0	0	7,392	212	1,840	0	21,387
Additions	118	185	0	0	720	2,710	261	1,821	2,522	8,337
Disposal of subsidiary company	(8,254)	(5,759)	(3,637)	(821)	(6,832)	(37,638)	(441)	(619)	0	(64,001)
Disposals	(29,515)	(121)	0	0	0	(1,850)	(17)	(42)	(70)	(31,615)
Assets written off	0	0	0	0	0	0	0	(2)	0	(2)
Transfer to development properties	(10,818)	0	0	0	0	0	0	0	0	(10,818)
Impairment losses	0	0	0	(26,188)	(8,400)	0	0	0	0	(34,588)
Depreciation	0	(2,298)	(99)	(735)	(1,039)	(2,857)	(771)	(2,189)	0	(9,988)
Net book value at 31.12.2002	165,882	96,009	8,088	4,379	14,084	66,270	1,776	23,778	20,027	400,293

The book values have been adjusted for impairment to reflect the recoverable values, which is based on net estimated selling price, as at the respective balance sheet dates.

	Freehold land	Freehold buildings	Long leasehold land	Short leasehold land	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Assets under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>GROUP</b>										
<b>2002</b>										
At cost	163,692	112,447	7,063	35,000	32,884	123,194	6,534	54,486	20,027	555,327
At valuation	2,190	4,601	1,357	0	0	0	0	0	0	8,148
Accumulated depreciation	0	(21,039)	(332)	(4,433)	(10,400)	(56,924)	(4,758)	(30,708)	0	(128,594)
Accumulated impairment losses	0	0	0	(26,188)	(8,400)	0	0	0	0	(34,588)
Net book value	165,882	96,009	8,088	4,379	14,084	66,270	1,776	23,778	20,027	400,293

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Freehold buildings RM'000	Long leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
<b>COMPANY</b>								
<b>2003</b>								
Net book value at 1.1.2003	0	18,402	67	3,357	76	202	410	22,514
Additions	11,988	0	0	0	0	1,156	186	13,330
Disposals	0	0	0	(3,293)	0	(111)	(7)	(3,411)
Depreciation	0	(415)	(2)	(64)	(19)	(155)	(104)	(759)
Impairment losses	0	(4,250)	0	0	0	0	0	(4,250)
Net book value at 31.12.2003	11,988	13,737	65	0	57	1,092	485	27,424
<b>At 31 December 2003</b>								
At cost	11,988	20,720	76	0	206	1,307	2,852	37,149
Accumulated depreciation	0	(2,733)	(11)	0	(149)	(215)	(2,367)	(5,475)
Accumulated impairment losses	0	(4,250)	0	0	0	0	0	(4,250)
Net book value	11,988	13,737	65	0	57	1,092	485	27,424

The book values have been adjusted for impairment to reflect the recoverable values, which is based on net estimated selling price, as at the respective balance sheet dates.

	Freehold buildings RM'000	Long leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
<b>COMPANY</b>							
<b>2002</b>							
Net book value at 1.1.2002	18,816	68	3,438	97	277	415	23,111
Additions	0	0	0	0	10	201	211
Disposals	0	0	0	0	(3)	(4)	(7)
Transfer from subsidiary company	0	0	0	0	29	0	29
Depreciation	(414)	(1)	(81)	(21)	(111)	(202)	(830)
Net book value at 31.12.2002	18,402	67	3,357	76	202	410	22,514
<b>At 31 December 2002</b>							
At cost	20,720	76	4,015	206	1,894	3,387	30,298
Accumulated depreciation	(2,318)	(9)	(658)	(130)	(1,692)	(2,977)	(7,784)
Net book value	18,402	67	3,357	76	202	410	22,514

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Information on freehold and leasehold land and buildings are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Net book value of property, plant and equipment stated at valuation:				
Freehold land	4,560	2,190	0	0
Long leasehold land	0	1,357	0	0
Freehold buildings	3,596	3,517	0	0
	<u>8,156</u>	<u>7,064</u>	<u>0</u>	<u>0</u>
Net book value of property, plant and equipment at cost:				
Freehold land	200,411	163,692	11,988	0
Long leasehold land	8,189	6,731	65	66
Short leasehold land	2,023	4,379	0	0
Freehold buildings	110,171	92,492	13,737	18,402
Leasehold buildings	0	14,084	0	3,358
	<u>320,794</u>	<u>281,378</u>	<u>25,790</u>	<u>21,826</u>
	<u>328,950</u>	<u>288,442</u>	<u>25,790</u>	<u>21,826</u>

The freehold and leasehold land and buildings of the subsidiary companies stated at valuation were revalued between 1984 and 1998 based on valuations carried out either by independent professional valuers on open market basis.

	Net book value at 31 December			
	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Net book value of revalued property, plant and equipment at 31 December had these assets been carried at cost less depreciation:				
Freehold land and buildings	5,764	3,953	0	0
Leasehold land and buildings	0	862	0	0
	<u>5,764</u>	<u>4,815</u>	<u>0</u>	<u>0</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in the property, plant and equipment of the Group and Company are the following property, plant and equipment held under finance lease agreements:

	<b>Motor vehicles RM'000</b>	<b>Furniture, fittings and equipment RM'000</b>	<b>Total RM'000</b>
<b><u>GROUP</u></b>			
<b><u>At 31 December 2003</u></b>			
At cost	2,754	757	3,511
Accumulated depreciation	(710)	(248)	(958)
Net book value	<u>2,044</u>	<u>509</u>	<u>2,553</u>
<b><u>At 31 December 2002</u></b>			
At cost	909	639	1,548
Accumulated depreciation	(514)	(91)	(605)
Net book value	<u>395</u>	<u>548</u>	<u>943</u>
<b><u>COMPANY</u></b>			
<b><u>At 31 December 2003</u></b>			
At cost	1,432	0	1,432
Accumulated depreciation	(296)	(0)	(296)
Net book value	<u>1,136</u>	<u>0</u>	<u>1,136</u>
<b><u>At 31 December 2002</u></b>			
At cost	329	0	329
Accumulated depreciation	(193)	(0)	(193)
Net book value	<u>136</u>	<u>0</u>	<u>136</u>

The depreciation charge for the financial year in respect of property, plant and equipment acquired under finance lease of the Group and Company amounted to RM421,000 (2002: RM146,000) and RM128,000 (2002: RM68,000), respectively.

Certain land and buildings of subsidiary companies have been pledged to financial institutions for facilities granted to the Group. The net book value of these land and buildings are as follows:

	<b>Group</b>	
	<b>2003 RM'000</b>	<b>2002 RM'000</b>
Freehold land	48,906	82,728
Long leasehold land	66,094	1,357
Short leasehold land	801	0
Freehold buildings	231,115	66,894
Leasehold buildings	0	13,284
	<u>346,916</u>	<u>164,263</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 14 PROPERTY DEVELOPMENT ACTIVITIES

### (a) Land Held for Property Development

	Group	
	<u>2003</u> RM'000	<u>2002</u> RM'000
Freehold/leasehold lands, at cost	261,375	261,689
Development costs	263,749	249,588
Accumulated impairment loss	(82,173)	(84,889)
	<u>442,951</u>	<u>426,388</u>
At start of year	423,661	425,531
Transfer to property development costs (Note 14(b))	(431)	0
Additions for the year	17,151	6,614
Impairment losses reversed/(recognised) for the year	2,570	(5,757)
At end of year	<u>442,951</u>	<u>426,388</u>

The book values have been adjusted for impairment to reflect the carrying values, which is based on net estimated selling prices, as at the respective balance sheet dates.

Included in land held for property development are three parcels of land banks at a carrying value of RM133,153,470 (2002: RM133,153,470) which are pledged as security for the borrowings of a wholly owned subsidiary of L&G. These land banks are leasehold with expiry date in year 2095.

### (b) Property Development Costs

	Group	
	<u>2003</u> RM'000	<u>2002</u> RM'000
At start of the year:		
- land	39,192	39,192
- development costs	526,383	360,296
- accumulated cost charged to income statement	(461,274)	(349,605)
	104,301	49,883
Costs incurred during the year:		
- transfer from land held under property development (Note 14(a))	431	0
- land costs transferred to property, plant and equipment (Note 13)	(973)	0
- development costs transferred to/(from) property, plant and equipment (Note 13)	(9,985)	10,818
- development costs	158,198	155,269
- transfer to inventory	(111,774)	0
- costs charged to income statement	(89,663)	(111,669)
	(53,766)	54,418
At end of the year	<u>50,535</u>	<u>104,301</u>
At end of the year:		
- land	7,194	39,192
- development costs	262,086	526,383
- accumulated cost charged to income statement	(218,745)	(461,274)
	<u>50,535</u>	<u>104,301</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 15 SUBSIDIARY COMPANIES

	<b>Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Shares at cost, quoted outside Malaysia	26,859	26,859
Less: Allowance for diminution in value of investment	(26,859)	(26,859)
	<u>0</u>	<u>0</u>
Unquoted shares, at cost	752,609	660,039
Less: Allowance for diminution in value of investments	(345,108)	(345,848)
	<u>407,501</u>	<u>314,191</u>
Advances to subsidiary companies	40,881	40,881
Less: Allowance for non recoverable advances to subsidiary companies	(15,520)	(15,520)
	<u>25,361</u>	<u>25,361</u>
	<u>432,862</u>	<u>339,552</u>
Market value of quoted shares	<u>1,057</u>	<u>2,674</u>

The Group's effective equity interest in the subsidiary companies and their respective principal activities are as set out in Note 31.

- (i) Advances to subsidiaries are unsecured, interest free and are not expected to be repaid within the next twelve months.
- (ii) The fair value of the net advances to subsidiaries is RM23,482,000 (2002: RM23,482,000)

The names of the subsidiary companies that were subjected to liquidation proceedings and control over that subsidiary companies had passed to a designated liquidator are as follows:

<b>Subsidiary company</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>Group's effective interest</b>	
			<b>2003</b>	<b>2002</b>
			%	%
L&G Resort Sdn Bhd	Dormant	Malaysia	100.0	100.0
Lang-Oil Technology Sdn Bhd	Dormant	Malaysia	100.0	100.0
Lang Projects Sdn Bhd	Dormant	Malaysia	100.0	100.0
Dunman Pte Ltd	Dormant	Singapore	100.0	100.0
Cipta Ria Sdn Bhd	Dormant	Malaysia	100.0	100.0

## 16 ASSOCIATED COMPANIES

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Share of net assets other than goodwill of associates	<u>8,936</u>	<u>4,657</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 16 ASSOCIATED COMPANIES (CONTINUED)

	<u>Company</u>	
	<u>2003</u> RM'000	<u>2002</u> RM'000
Unquoted shares, at cost	43,908	49,608
Less: Allowance for diminution in value of investments	(43,908)	(18,386)
	0	31,222

The book values have been adjusted for impairment to reflect the recoverable values as at the respective balance sheet dates.

The share of losses for Crystal Clear Technology Sdn Bhd ("CCT") has exceeded the carrying amount of the investment. The unrecognised amount of share of losses of CCT is for the financial year was RM12,357,000 (2002: RM25,091,000) and RM37,448,000 (2002: RM25,091,000) cumulatively.

The Group's effective equity interest in the associated companies and their respective principal activities are as follows:

<u>Subsidiary company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>	
			<u>2003</u> %	<u>2002</u> %
C.I. Damansara Quarry Sdn Bhd	Dormant	Malaysia	35.0	35.0
Intercontinental Terminals (M) Sdn Bhd	Chemical warehousing	Malaysia	0	30.0
BMG Home Center Sdn Bhd	Dormant	Malaysia	20.0	20.0
Crystal Clear Technology Sdn Bhd	Manufacture of liquid crystal display	Malaysia	36.0	36.0
Projass Langbuilt Sdn Bhd	Mass housing using system housing	Malaysia	50.0	50.0
Protonweb BPO Private Limited	Information technology enabled services	India	15.3	0

## 17 JOINTLY CONTROLLED ENTITIES

	<u>Group</u>	
	<u>2003</u> RM'000	<u>2002</u> RM'000
Share of net assets of jointly controlled entities	(3,618)	(1,761)

	<u>Company</u>	
	<u>2003</u> RM'000	<u>2002</u> RM'000
Unquoted investments, at cost	79,509	79,509
Less: Allowance for diminution in value	(79,509)	(79,509)
	0	0

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

**17 JOINTLY CONTROLLED ENTITIES (CONTINUED)**

<u>Joint controlled entities</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Joint ownership interest</u>	
			<u>2003</u> %	<u>2002</u> %
Ansad Petrol Joint Venture	Oil and gas production and exploration activities	Azerbaijan	17.15	17.15
Hidden Valley Pty Ltd	Property development	Australia	50.00	50.00

The following amounts represent the Group's share of assets, liabilities, revenue and expenses of the jointly controlled entities:

	<u>Group</u>	
	<u>2003</u> <u>RM'000</u>	<u>2002</u> <u>RM'000</u>
Property, plant and equipment	4,619	4,418
Other non current assets	6,578	13
Current assets	1,728	6,083
Non current liabilities	(15,031)	(11,780)
Current liabilities	(1,512)	(495)
Net assets	<u>(3,618)</u>	<u>(1,761)</u>
Revenue	6,670	10,368
Expenses	(8,527)	(11,002)
Loss before taxation	(1,857)	(634)
Taxation	0	0
Loss after taxation	<u>(1,857)</u>	<u>(634)</u>

The investment in Ansad Petrol Joint Venture has been fully provided and no further losses are to be shared to the Group. As a result, the Group's share of assets, liabilities, revenue and expenses are not included in the above.

**18 OTHER INVESTMENTS**

	<u>Group</u>		<u>Company</u>	
	<u>2003</u> <u>RM'000</u>	<u>2002</u> <u>RM'000</u>	<u>2003</u> <u>RM'000</u>	<u>2002</u> <u>RM'000</u>
Quoted investments				
- outside Malaysia, at cost	33,359	33,604	0	0
Less: Allowance for diminution in value of investments	(21,600)	(21,600)	0	0
	<u>11,759</u>	<u>12,004</u>	<u>0</u>	<u>0</u>
Unquoted investments				
Investment in limited partnership, at cost	17,100	17,100	0	0
Unquoted investments, at cost	17,899	17,989	620	620
Less: Allowance for diminution in value of investments	(30,439)	(25,690)	0	0
	<u>4,560</u>	<u>9,399</u>	<u>620</u>	<u>620</u>
	<u>16,319</u>	<u>21,403</u>	<u>620</u>	<u>620</u>
<b>Market value of quoted shares</b>				
Quoted outside Malaysia	<u>7,472</u>	<u>13,862</u>	<u>0</u>	<u>0</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

**18 OTHER INVESTMENTS (CONTINUED)**

The book values have been adjusted for impairment based on net recoverable amounts, as at the respective balance sheet dates.

The market value and carrying value of both quoted and unquoted shares at balance sheet date of these investments approximated their fair values.

**19 DEFERRED TAXATION**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deferred tax assets	446	825	0	0
Deferred tax liabilities:				
- subject to income tax	(33,812)	(19,885)	0	(4,228)
	<u>(33,366)</u>	<u>(19,060)</u>	<u>0</u>	<u>(4,228)</u>
At start of the financial year	(19,060)	(10,775)	(4,228)	(1,123)
(Charged)/credited to income statement (Note 11)				
- property, plant and equipment	(4,420)	(7,912)	1,123	0
- development properties/inventories	(6,126)	(6,344)	0	0
- tax losses	(179)	(214)	0	0
- provisions	763	6,800	0	0
- others	2,886	(3,105)	3,105	(3,105)
	<u>(7,076)</u>	<u>(10,775)</u>	<u>4,228</u>	<u>(3,105)</u>
Disposal of subsidiary (Note 6(b))	0	2,490	0	0
Currency translation differences	(7,230)	0	0	0
At end of the financial year	<u>(33,366)</u>	<u>(19,060)</u>	<u>0</u>	<u>(4,228)</u>
Subject to income tax				
Deferred tax assets (before offsetting)				
Property, plant and equipment	(29)	(229)	0	0
Provisions	(7,563)	(6,800)	0	0
Tax loss	(417)	(596)	0	0
	<u>(8,009)</u>	<u>(7,625)</u>	<u>0</u>	<u>0</u>
Offsetting	7,563	6,800	0	0
Deferred tax assets (after offsetting)	<u>(446)</u>	<u>(825)</u>	<u>0</u>	<u>0</u>
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	15,749	9,005	0	1,123
Development properties	20,337	13,232	0	0
Currency translation differences	3,443	0	0	0
Others	1,846	4,448	0	3,105
	<u>41,375</u>	<u>26,685</u>	<u>0</u>	<u>4,228</u>
Offsetting	(7,563)	(6,800)	0	0
Deferred tax liabilities (after offsetting)	<u>33,812</u>	<u>19,885</u>	<u>0</u>	<u>4,228</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

**19 DEFERRED TAXATION (CONTINUED)**

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deductible temporary differences	19,098	17,670	0	0
Tax losses	116,400	109,349	21,870	21,683

**20 OTHER ASSETS**

Other assets comprise net realisable value of property, plant and equipment of subsidiary companies which have ceased operations.

**21 INVENTORIES**

	Group	
	2003 RM'000	2002 RM'000
At cost:		
Completed development property units for sale	172,943	51,791
Raw materials	687	1,614
Consumable stores	158	97
	173,788	53,502
At net realisable value:		
Completed development property units for sale	17,331	17,601
Finished goods - manufactured timber products	2,530	852
	19,861	18,453
	193,649	71,955

Certain inventories of the Group have been pledged to financial institutions for facilities granted to the Group. The carrying value of these inventories are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Completed development property units for sale	38,266	40,244	0	0

**22 RECEIVABLES**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	89,218	97,030	0	0
Less: Allowance for doubtful debts	(20,094)	(24,765)	0	0
	69,124	72,265	0	0
Amounts owing by subsidiary companies	0	0	488,737	575,307
Less: Allowance for doubtful debts	0	0	(188,605)	(206,406)
	0	0	300,132	368,901

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

**22 RECEIVABLES (CONTINUED)**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sundry and other receivables	63,018	38,799	7,627	13,461
Accrued billings	19,420	31,611	0	0
Amount owed by other investment	5,761	7,563	5,761	7,563
Amount receivable on sale of investments	12,169	17,480	9,500	9,500
Amount owed by a jointly controlled entity	15,570	11,774	0	0
Advances for logs supplies	3,614	4,894	0	0
Deposits	3,846	5,878	247	248
Prepayments	6,545	5,320	183	193
	129,943	123,319	23,318	30,965
Less: Allowance for doubtful debts	(3,409)	(3,040)	(3,409)	(3,040)
	126,534	120,279	19,909	27,925
Amounts owing by associated companies	1,305	1,305	1,305	1,305
Less: Allowance for doubtful debts	(1,305)	(1,008)	(1,305)	(1,008)
	0	297	0	297
	195,658	192,841	320,041	397,123

The amounts owing by subsidiary companies and associated companies are unsecured, interest free and have no fixed terms of repayment except for certain balances due from subsidiary companies amounting to RM13,862,000 (2002: RM12,837,000) where interest is charged at 9% per annum (2002: 9% per annum).

	Group	
	2003 RM'000	2002 RM'000
The trade receivables are denominated in the following currencies:		
- Ringgit Malaysia	75,802	92,086
- Australian Dollar	11,516	3,044
- US Dollar	1,900	1,900
	89,218	97,030

Credit terms of trade receivables range from 7 to 30 days (2002: 7 to 30 days).

Concentration of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are internationally dispersed, cover a broad spectrum of property development, property investment and educational services and have a variety of end markets. The Group has in place an on-going process for evaluating and monitoring trade receivables. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

**23 DEPOSITS, CASH AND BANK BALANCES**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits with licensed banks	50,571	40,959	14,361	23,028
Cash and bank balances	45,125	61,415	4,794	1,584
	95,696	102,374	19,155	24,612
Less: Deposits pledged for credit facilities	(1,572)	(1,760)	(794)	(758)
	94,124	100,614	18,361	23,854
Less: Bank overdrafts (Note 25)	(73,011)	(115,238)	0	(32,389)
	21,113	(14,624)	18,361	(8,535)

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 23 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

Included in deposits, cash and bank balances of the Group as at 31 December 2003 are monies held under the Housing Development Accounts pursuant to Section 7A of the Housing Developers (Control and Licensing) Act 1966 (Act 118) amounting to RM17,514,193 (2002: RM42,011,581).

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
The cash and cash equivalents are denominated in the following currencies:				
- Ringgit Malaysia	(25,726)	(41,715)	18,361	(8,535)
- Australian Dollar	38,647	23,937	0	0
- US Dollar	8,009	2,422	0	0
- Others	183	732	0	0
	<u>21,113</u>	<u>(14,624)</u>	<u>18,361</u>	<u>(8,535)</u>

Bank and cash balances are monies on call with banks and earn no interest.

The weighted average interest rates of deposits that were effective during the year were as follows:

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	%	%	%	%
Deposit with licensed banks	3.57	3.41	2.62	3.20

Deposits of the Group and Company have an average maturity of 88 and 34 days respectively (2002: Group and Company 52 days).

## 24 PAYABLES

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
Trade payables	50,641	46,299	0	0
Other payables and accruals (Note (i))	173,565	180,574	13,649	59,837
Amounts owing to subsidiary companies	0	0	91,653	46,670
Hire purchase and lease obligations repayable within 12 months (Note 26)	854	544	188	53
	<u>225,060</u>	<u>227,417</u>	<u>105,490</u>	<u>106,560</u>

Note (i):

These comprise:

- Other payables	92,591	48,920	5,278	5,678
- Interest accruals	25,373	68,235	8,371	54,159
- Liquidated ascertained damages	54,999	62,443	0	0
- Closure and retrenchment costs	602	976	0	0
	<u>173,565</u>	<u>180,574</u>	<u>13,649</u>	<u>59,837</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

**24 PAYABLES (CONTINUED)**

The amounts owing to subsidiary companies are unsecured, interest free and have no fixed terms of repayment except for certain balances due to subsidiary companies amounting to RM4,371,000 (2002 : RM49,988,000) where interest is charged ranging from 6.7% to 9.0% (2002: 7.0% to 9.0%).

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
The trade payables are denominated in the following currencies:				
- Ringgit Malaysia	50,106	45,362	0	0
- Australian Dollar	499	901	0	0
- Others 36	36	0	0	0
	<u>50,641</u>	<u>46,299</u>	<u>0</u>	<u>0</u>

Credit terms of trade payables is 30 days (2002: 30 days).

**25 SHORT TERM BORROWINGS**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Bank overdrafts (Note 23)				
- Secured	73,011	78,401	0	0
- Unsecured	0	36,837	0	32,389
	<u>73,011</u>	<u>115,238</u>	<u>0</u>	<u>32,389</u>
Secured:				
RCSLS - portion repayable within 12 months (Note 26)	9,616	0	9,616	0
Bankers acceptances	87,262	77,025	0	63,025
Bank bills - portion repayable within 12 months (Note 26)	9,904	7,490	0	0
Short term loans and other credit facilities	75,338	164,034	0	63,770
Term loans - portion repayable within 12 months (Note 26)	15,186	4,428	2,550	0
	<u>197,306</u>	<u>252,977</u>	<u>12,166</u>	<u>126,795</u>
Unsecured:				
Bankers acceptances	0	36,797	0	0
Short term loans and other credit facilities	0	72,848	0	72,848
Euro Convertible Bonds	0	193,675	0	193,675
	<u>0</u>	<u>303,320</u>	<u>0</u>	<u>266,523</u>
Others	197,306	556,297	12,166	393,318
	<u>270,317</u>	<u>671,535</u>	<u>12,166</u>	<u>425,707</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

**25 SHORT TERM BORROWINGS (CONTINUED)**

The secured short term borrowings are secured by fixed and floating charges over certain assets of the Company and certain subsidiary companies. The borrowings bear interest at rates ranging from 4.69% to 10.24% per annum (2002: 4.69% to 10.24% per annum).

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
The short term borrowings are denominated in the following currencies:				
- Ringgit Malaysia	184,771	308,981	12,166	111,909
- Australian Dollar	83,799	45,915	0	0
- US Dollar	0	313,798	0	313,798
- Fijian Dollar	1,747	2,841	0	0
	<u>270,317</u>	<u>671,535</u>	<u>12,166</u>	<u>425,707</u>

**26 LONG TERM BORROWINGS**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Redeemable Convertible Secured Loan Stock	317,363	0	317,363	0
Portion repayable with 12 months included under short term borrowings	(9,616)	0	(9,616)	0
	<u>307,747</u>	<u>0</u>	<u>307,747</u>	<u>0</u>
Bank bills (secured)	194,188	154,348	0	0
Portion repayable within 12 months included under short term borrowings (Note 25)	(9,904)	(7,490)	0	0
	<u>184,284</u>	<u>146,858</u>	<u>0</u>	<u>0</u>
Term loans and other credit facilities (secured)	125,812	11,309	84,159	0
Term loans and other credit facilities (unsecured)	0	3,954	0	0
	<u>125,812</u>	<u>15,263</u>	<u>84,159</u>	<u>0</u>
Portion repayable within 12 months included under short term borrowings (Note 25)	(15,186)	(4,428)	(2,550)	0
	<u>110,626</u>	<u>10,835</u>	<u>81,609</u>	<u>0</u>
Lease creditors	1,727	639	701	111
Portion repayable within 12 months included under payables (Note 24)	(854)	(544)	(188)	(53)
	<u>873</u>	<u>95</u>	<u>513</u>	<u>58</u>
	<u>603,530</u>	<u>157,788</u>	<u>389,869</u>	<u>58</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 26 LONG TERM BORROWINGS (CONTINUED)

As part of the CDRS set out in Note 32(b) the Company fully settled the following scheme borrowings of RM450,491,794 through the following:

	<b>Company RM'000</b>
As at 31.1.2003	
Short term borrowings	
- bank overdrafts	32,389
- others	393,318
Interest capitalised reclassified from other creditors	
- bank overdrafts	326
- others	52,591
	<u>478,624</u>
As at 30.7.2003	
Short term borrowings	
- bank overdrafts	32,715
- others	445,909
Interest waiver from the CDRS	(28,132)
	<u>450,492</u>
<b>Non cash transactions</b>	
Issue of RCSLS A	(16,884)
Issue of RCSLS B	(304,078)
Issue of NTL	(84,160)
Issue of ordinary shares of L&G (Note 27)	(45,370)
	<u>0</u>

L&G issued 16,883,720 nominal value of RCSLS A of RM1.00 each and issued 304,078,917 nominal value of 5% RCSLS B of RM1.00 each.

The main features of the RCSLS A and RCSLS B are as follows:

- The tenure for the various RCSLS are stated below:
  - RCSLS A:
    - Series 1 – 5 years from the date of issue
    - Series 2 – 7 years from the date of issue
  - RCSLS B:
    - Series 1 – 6 years from the date of issue (inclusive) of the RCSLS B Series 2 & 3
    - Series 2 – 3 years from date of issue
    - Series 3 – 7 years from the date of issue
- The maturity date for the various RCSLS are as follows:
  - RCSLS A:
    - Series 1 – date falling on the 5th anniversary from the date of issue
    - Series 2 – date falling on the 7th anniversary from the date of issue
  - RCSLS B:
    - Series 1 – date falling on the 6th anniversary from the date of issue
    - Series 2 – date falling on the 3rd anniversary from the date of issue
    - Series 3 – date falling on the 7th anniversary from the date of issue

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 26 LONG TERM BORROWINGS (CONTINUED)

- Unless previously redeemed, the RCSLS A Series shall be redeemed on their respective maturity dates.
- The RCSLS bear interest at 5% per annum payable semi-annually in arrears in each year calculated from the date of issue on 30 July 2003.
- The RCSLS are convertible into new L&G shares at the conversion price, the higher of the weighted average market price of the 5 preceding days or RM1.00 nominal amount of the RCSLS, for every one ordinary shares of RM1.00 each, at the option of the holder anytime on or after its issuance date up to the trading day immediately preceding the maturity date.
- On or any time after the date of issue of the RCSLS but before the maturity date, if the closing market price of the L&G shares for 40 consecutive trading days is at least 180% of the conversion price of RM1.00 during the conversion period, all outstanding RCSLS will be converted into L&G shares at the conversion price.

The new ordinary shares issued from the conversion of RCSLS will be deemed fully paid and rank pari passu with all existing ordinary shares of L&G.

The RCSLS is secured by way of fixed charges over the assets of the Group (as disclosed in Note 13 and Note 21).

The equity portion of the RCSLS is insignificant and the entire RCSLS has been classified as term borrowings.

Long term borrowings bear interest at rates ranging from 4.69% to 10.24% per annum (2002: 5.05% to 9.90% per annum) and are repayable by fixed instalments which vary from a monthly, quarterly or half yearly basis.

The carrying amounts and fair values of long term borrowings as at year end are as follows:

	Group		Company	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Term loans and others credit facilities	110,626	105,166	81,609	76,150

The other long term borrowings approximate their fair values at the respective balance sheet dates.

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Weighted average effective interest rates:				
Redeemable Convertible Secured				
Loan Stock	5.00	N/A	5.00	N/A
New Term Loans	5.00	N/A	5.00	N/A
Bank overdrafts	8.17	6.99	N/A	6.40
Other loans	8.44	5.64	N/A	5.05
Bankers acceptance	6.81	5.18	N/A	4.83
Bank bills	6.71	6.18	N/A	N/A
Euro Convertible Bonds	N/A	6.50	N/A	6.50

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 26 LONG TERM BORROWINGS (CONTINUED)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
The long term borrowings are denominated in the following currencies:				
- Ringgit Malaysia	358,827	6,939	335,789	58
- Australian Dollar	184,284	144,778	0	0
- British Pound Sterling	0	3,954	0	0
- US Dollar	54,080	0	54,080	0
- Fijian Dollar	6,339	2,117	0	0
	<u>603,530</u>	<u>157,788</u>	<u>389,869</u>	<u>58</u>

**Finance lease liabilities**

Minimum lease payments:				
- not later than 1 year	686	644	230	69
- later than 1 year and not later than 5 years	1,416	103	608	76
	<u>2,102</u>	<u>747</u>	<u>838</u>	<u>145</u>
Future finance charges on finance leases	(375)	(108)	(137)	(34)
	<u>1,727</u>	<u>639</u>	<u>701</u>	<u>111</u>
Current	854	544	188	53
Non current	873	95	513	58
	<u>1,727</u>	<u>639</u>	<u>701</u>	<u>111</u>
Present value of finance lease liabilities:				
- not later than 1 year	854	544	188	53
- later than 1 year and not later than 5 years	873	95	513	58
	<u>1,727</u>	<u>639</u>	<u>701</u>	<u>111</u>

The borrowings excluding finance lease liabilities are repayable over the following periods:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Within one year	270,317	671,535	12,166	425,707
Between one and two years	19,660	12,371	5,634	0
Between two and five years	169,472	24,470	114,865	0
After five years	413,525	120,852	268,857	0
	<u>872,974</u>	<u>829,228</u>	<u>401,522</u>	<u>425,707</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 27 SHARE CAPITAL

	Group and Company	
	2003	2002
	RM'000	RM'000
Ordinary shares of RM1.00 each:		
Authorised	1,000,000	1,000,000
Issued and fully paid:		
At 1 January	537,507	537,507
Issued during the financial year (Note 26)	45,370	0
At 31 December	582,877	537,507

The new ordinary shares issued during the financial year pursuant to the CDRS ranked pari passu in all respects with the existing ordinary shares of the Company.

## 28 CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group changed its accounting policies to comply with the following new MASB Standards:

- MASB 25 "Income Taxes"
- MASB 32 "Property Development Activities"

### Deferred Tax and Property Development Activities

In previous years, deferred tax was recognised for timing differences except when there was reasonable evidence that such timing differences would not reverse in the foreseeable future. The tax effect of timing differences that resulted in a debit balance or a debit to the deferred tax balance was not carried forward unless there was a reasonable expectation of its realisation.

The potential tax saving relating to a tax loss carry forward was only recognised if there was assurance beyond any reasonable doubt that future taxable income would be sufficient for the benefit of the loss to be realised.

Where there was intention to dispose of revalued assets, the deferred tax relating to such assets was recognised through a transfer from the related revaluation surplus. No provision nor disclosure was made of this tax effect where the Group intended to hold such assets for the foreseeable future.

The Group has now changed its accounting policy to recognise deferred tax on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying values in financial statements. Deferred tax assets are recognised to the extent that is probable that taxable profit will be available against which deductible temporary differences or unused tax losses can be utilised.

The Group has adopted MASB 32 in advance of its effective date of 1 January 2004. The comparative in respect of the property development costs have been restated whereby the excess of revenue recognised in income statement over billings to purchasers is now presented as accrued billings within current assets and the excess of billings to purchasers over revenue recognized in income statement is now presented as progress billings within current liabilities.

In previous years, certain expenditure was capitalised. The Group has now changed its accounting policy in accordance with MASB 32 and these expenses are not capitalised but recognised immediately as an expense in the income statement.

These changes in accounting policies have been accounted for retrospectively.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 28 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The change in the accounting policies above have the effect of reducing the Group's net profit for the financial year and previous year by RM29,000 and RM9,248,000 respectively and increasing the Group's accumulated losses for the previous year and reducing the prior year by RM7,166,000 and RM2,082,000 respectively. These effects of the change on the Group's financial statements are as follows:

	Previously reported RM'000	Effects of changes in policies		Total RM'000	As restated RM'000
		MASB 25 RM'000	MASB 32 RM'000		
<b>At 1 January 2002</b>					
Accumulated losses	(557,467)	1,121	961	2,082	(555,385)
<b>Year ended 31 December 2002</b>					
Taxation	(12,324)	(296)	(2,070)	(2,366)	(14,690)
Property development expenditure recognised as expenses	(104,787)	0	(6,882)	(6,882)	(111,669)
Net profit for the financial year	36,268	(296)	(8,952)	(9,248)	27,020
<b>At 1 January 2003</b>					
Deferred tax assets	0	825	0	825	825
Deferred tax liabilities	(20,363)	0	478	478	19,885
Tax recoverable	8,193	0	1,874	1,874	10,067
Land held for development	89,669	0	336,719	336,719	426,388
Property development costs	482,974	0	(378,673)	(378,673)	104,301
Receivables					
- Accrued billings	0	0	31,611	31,611	31,611
Accumulated losses	(523,967)	825	(7,991)	(7,166)	(531,133)

## 29 CONTINGENT LIABILITIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Secured:				
Guarantees given to financial institutions for credit facilities granted to - subsidiary companies	0	0	81,322	80,661
Unsecured:				
Corporate guarantee granted in respect of subsidiary company	0	0	0	227,019
Corporate guarantees given to third parties (Note(i))	6,942	6,942	6,942	6,942

Note (i) : The corporate guarantee relates to a guarantee given to a subsidiary company in the Kinley Group, which was disposed during the previous financial year, and has been lifted subsequent to the year end.

The fair value of the corporate guarantee approximates the carrying value at the respective balance sheet dates.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 30 COMMITMENTS

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
<b>Capital commitments</b>				
Authorised capital expenditure not provided for in the financial statements:				
Relating to property, plant and equipment:				
- contracted for	0	38	0	0
- not contracted	278	1,628	0	0
	<u>278</u>	<u>1,666</u>	<u>0</u>	<u>0</u>
<b>Lease commitments</b>				
Commitments under non-cancellable operating leases:				
- expiring within one year	0	300	0	0
- expiring between one to five years	0	1,200	0	0
- expiring after five years	0	900	0	0
	<u>0</u>	<u>2,400</u>	<u>0</u>	<u>0</u>

## 31 SUBSIDIARY COMPANIES

The Group's effective equity interest in the subsidiary companies and their respective principal activities are as follows:

<u>Subsidiary company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>	
			<u>2003</u>	<u>2002</u>
			%	%
Associated Commercial Incorporated	Investment holding	British Virgin Islands	100.0	100.0
Bandar Sungai Buaya Sdn Bhd	Property development	Malaysia	100.0	100.0
Banjara Marketing Services Ltd	Investment holding	British Virgin Islands	100.0	100.0
Bestform Limited	Investment holding	Isle of Man	100.0	100.0
Clarity Crest Sdn Bhd	Cultivation of rubber and oil palm	Malaysia	100.0	70.0
Jade Commercial Ventures Ltd	Investment holding	British Virgin Islands	100.0	100.0
Key Century Sdn Bhd	Investment holding	Malaysia	100.0	100.0

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 31 SUBSIDIARY COMPANIES (CONTINUED)

<u>Subsidiary company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>	
			<u>2003</u> %	<u>2002</u> %
<b>Controls the following subsidiary company:</b>				
- Cipta Ria Sdn Bhd**	Dormant	Malaysia	100.0	100.0
L&G Resort Sdn Bhd**	Dormant	Malaysia	100.0	100.0
L&G Resources (1994), Inc.	Investment holding	USA	100.0	100.0
<b>Controls the following subsidiary companies:</b>				
- L&G Display Technologies, Inc.	Investment holding	USA	100.0	100.0
- L&G Sensor Technology, Inc.	Investment holding	USA	100.0	100.0
- US Furniture Industries, Inc.	Dormant	USA	100.0	100.0
Land & General Properties Sdn Bhd	Property development	Malaysia	100.0	100.0
Land & General Australia (Holdings) Pty Ltd *	Investment holding	Australia	100.0	100.0
<b>Controls the following subsidiary companies:</b>				
- Lang Melbourne Pty Ltd *	Investment holding	Australia	100.0	100.0
- World Trade Centre Holdings Pty Ltd*^^	Investment holding	Australia	100.0	0
<b>Controls the following subsidiary companies:</b>				
- Lang Australia Pty Ltd*	Property management	Australia	100.0	100.0
- World Trade Centre Melbourne Pty Ltd*	Holder of the business name "World Trade Centre Melbourne"	Australia	100.0	100.0
- Flinders Wharf Pty Ltd*	Investment holding	Australia	100.0	100.0
- Flinders Wharf One Pty Ltd*	Investment holding	Australia	100.0	100.0
- Flinders Wharf Two Pty Ltd*	Investment holding	Australia	100.0	100.0

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 31 SUBSIDIARY COMPANIES (CONTINUED)

<u>Subsidiary company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>	
			<u>2003</u> %	<u>2002</u> %
<b>Controls the following subsidiary company:</b>				
- Flinders Wharf Management Pty Ltd*	Property management	Australia	50.0	50.0
- Flinders Wharf Land Pty Ltd*	Property investment	Australia	100.0	100.0
- FW Financing Solutions Pty Ltd*	Property financing	Australia	50.0	50.0
<b>Controls the following subsidiary company:</b>				
- FW Development Pty Ltd*	Property development	Australia	50.0	50.0
- PLR Mayfields Pty Ltd *	Investment holding	Australia	100.0	100.0
Landgen Property Management Sdn Bhd	Managing underground car park and commercial complex	Malaysia	100.0	100.0
Lang Center For Digital Media Sdn Bhd***	Dormant	Malaysia	65.0	65.0
Lang Education Holdings Sdn Bhd	Investment holding	Malaysia	100.0	100.0
<b>Controls the following subsidiary companies:</b>				
- Lang Education Sdn Bhd	Education services	Malaysia	90.0	90.0
- L&G-Twintech Sdn Bhd	Management and operation of private education institution	Malaysia	70.0	70.0
<b>Controls the following subsidiary companies:</b>				
- Modern Corporate Systems Sdn Bhd	Management and operation of private education institution (branch campus)	Malaysia	49.0	49.0
- Infinite Alpha Sdn Bhd	Dormant	Malaysia	70.0	70.0
- College of Visual Arts Sdn Bhd***	Dormant	Malaysia	65.0	65.0
Lang Furniture (M) Sdn Bhd^^^	Dormant	Malaysia	0.0	100.0

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 31 SUBSIDIARY COMPANIES (CONTINUED)

<u>Subsidiary company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>	
			<u>2003</u> %	<u>2002</u> %
Lang Furniture (Selangor) Sdn Bhd***	Dormant	Malaysia	100.0	100.0
Lang-Oil Technology Sdn Bhd**	Dormant	Malaysia	100.0	100.0
Lang Projects Sdn Bhd**	Dormant	Malaysia	100.0	100.0
Lang Sensor Technology Sdn Bhd***	Dormant	Malaysia	100.0	100.0
Lang Tooling Sdn Bhd	Dormant	Malaysia	100.0	100.0
Lembah Beringin Sdn Bhd	Property development	Malaysia	100.0	100.0
<b>Controls the following subsidiary companies:</b>				
- Beringin Equestrian Park Sdn Bhd	Dormant	Malaysia	100.0	100.0
- Beringin Golf Course Sdn Bhd	Rental of golf course and club house	Malaysia	100.0	100.0
- Lang Wood Industries Sdn Bhd	Dormant	Malaysia	100.0	100.0
Lojing Highland Resort Development Sdn Bhd^	Horticulture	Malaysia	0.0	51.0
<b>Controls the following subsidiary company:</b>				
- Lojing Highland Floriculture Sdn Bhd^	Horticulture and lease of land for horticulture activities	Malaysia	0.0	51.0
Nexus Investments International Limited	Investment holding	British Virgin Islands	100.0	100.0
Oasis Frontier Sdn Bhd	Dormant	Malaysia	100.0	100.0
Overseas & General Limited*	Investment holding	Isle of Man	51.0	51.0
<b>Controls the following subsidiary companies:</b>				
- Overseas & General SARL*	Dormant	Republic of Cameroon	51.0	51.0
- Lang Timbers Sdn Bhd	Provision of management services	Malaysia	51.0	51.0
- Odin Mining (Australia) Pty Ltd*.*	Dormant	Australia	51.0	51.0
- Fenning Pacific (Fiji) Ltd*	Investment holding	Fiji	51.0	51.0

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 31 SUBSIDIARY COMPANIES (CONTINUED)

<u>Subsidiary company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>	
			<u>2003</u> %	<u>2002</u> %
<b>Controls the following subsidiary companies:</b>				
- The Pacific Lumber Company Limited*	Kiln drying and marketing of timber products	Fiji	49.4	49.4
- Timbers (Fiji) Ltd*	Logging and sawmilling operations	Fiji	42.2	42.2
Premier Link Resources Ltd	Investment holding	British Virgin Islands	100.0	100.0
Spellgaze Limited	Investment holding	Isle of Man	100.0	100.0
Sri Damansara Sdn Bhd	Property development	Malaysia	100.0	100.0
<b>Controls the following subsidiary companies:</b>				
- Sri Damansara Club Bhd	Management of club activities	Malaysia	100.0	100.0
- Exotic Acres Sdn Bhd	Dormant	Malaysia	100.0	100.0
Syarikat Trimal Sdn Bhd	Property development	Malaysia	100.0	100.0
<b>Controls the following subsidiary companies:</b>				
- Mentari Unggul Sdn Bhd	Dormant	Malaysia	70.0	70.0
- Tinvein Nominees Sdn Bhd	Investment holding	Malaysia	100.0	100.0
<b>Controls the following subsidiary company:</b>				
- Navistar Sdn Bhd	Property development	Malaysia	100.0	100.0
Vista Raya Sdn Bhd	Retailing of furniture	Malaysia	100.0	100.0
Winlink Pte Ltd*	Dormant	Singapore	100.0	100.0
Tinjau Cekap Sdn Bhd <sup>^</sup>	Dormant	Malaysia	0.0	100.0
Dunman Pte Ltd**	Dormant	Singapore	100.0	100.0
Clarity Fortune Sdn Bhd (formerly known as L&G-Indian Railway Construction Sdn Bhd)	Dormant	Malaysia	100.0	70.0
Lang Furniture (Pahang) Sdn Bhd	Dormant	Malaysia	100.0	100.0
Lang Sawmills Sdn Bhd***	Dormant	Malaysia	100.0	100.0

\* Audited by firms associated with PricewaterhouseCoopers, Malaysia.

\*\* Companies subjected to liquidation proceedings during the financial year.

+ Companies deregistered during the financial year.

<sup>^</sup> Disposal of companies completed during the financial year.

\*\*\* Companies subjected to liquidation proceedings in the prior years.

<sup>^^</sup> Newly incorporated during the financial year.<sup>^^^</sup> Winding up completed during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 32 SIGNIFICANT EVENTS

The significant events during the financial year are as follows:

- (a) On 4 April 2003, Overseas & General Limited (“OGL”), a 51% owned subsidiary company of L&G, entered into a Shareholders’ cum Joint Venture Agreement with Protonweb Solutions Limited (“PSL”) and Protonweb BPO Private Limited, whereby OGL and PSL will participate in and operate a joint venture company to carry on the business of information technology enabled services in India, specifically in the industry sub-sector of business process outsourcing.
- (b) On 30 April 2003, the Scheme Creditors and BDO Binders executed a Supplement Debt Restructuring Agreement to the Debt Restructuring Agreement (“DRA”) dated 28 February 2002 between the aforesaid parties, which served to amend and vary certain terms of the DRA and the manner of implementing the CDRS as follows:
- (i) To extend the last date for purposes of satisfying the conditions precedent to the DRA to 30 May 2003 or such later date as the majority of Scheme Creditors may agree; and
- (ii) To vary the security in respect of certain unencumbered assets to be divested under the asset disposal programme forming part of the CDRS.

On 30 July 2003, the CDRS was completed and accordingly, the Company fully settled its total scheme borrowings of RM450,491,794. The effects of the implementation of the CDRS are as follows:

- (i) gain on write back of accrued interest of approximately RM28.1 million; and
- (ii) full settlement of borrowings totalling RM450,491,794 via the issue of 16,883,720 RCSLS A of RM1.00 each; the conversion of RM84,159,657 secured debts into secured new term loans (“NTL”); the issue of 304,078,917 RCSLS B of RM1.00 each; and the issue of 45,369,500 new ordinary share of RM1.00 each.
- (c) On 7 October 2003, L&G entered into a Sale and Purchase Agreement to dispose of 16,493,757 ordinary shares of RM1 each representing its entire 51% equity interest in Lojing Highland Resort Development Sdn Bhd by way of tendering RCSLS with aggregate face value of RM3,600,000 together with a cash sum of RM900,000. The disposal resulted in a gain at Group level and a loss at Company level of RM15,142,000 and RM3,206,000 respectively.

## 33 SEGMENTAL INFORMATION

The Group adopts business segment analysis as its primary reporting format and geographical segment as its secondary reporting format.

Segment assets and liabilities do not include income tax assets and liabilities.

The Group is organised on a worldwide basis into four main business segments:

- Properties - property development and property investments
- Timber - extraction of timber and downstream timber activities
- Education - education services

Subsequent to the year end, the timber segment is to be discontinued in view of its disposal by the Company (Note 36 and Note 28).

Other operations of the Group mainly comprise investment holding which is not a sufficient size to be reported separately.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 33 SEGMENTAL INFORMATION (CONTINUED)

## (a) Primary reporting format – business segments

	<u>Properties</u> RM'000	<u>Timber</u> <u>(Discontinuing</u> <u>operations)</u> RM'000	<u>Education</u> RM'000	<u>Group</u> RM'000
<b><u>Year ended 31 December 2003</u></b>				
<b><u>Revenue</u></b>				
External revenues	162,711	5,544	32,095	200,350
Total revenues	<u>162,711</u>	<u>5,544</u>	<u>32,095</u>	<u>200,350</u>
<b><u>Results</u></b>				
Segment results	31,202	(55)	9,652	40,799
Unallocated results				(11,186)
Finance cost	(28,838)	1,079	0	(27,759)
Gain on disposal of subsidiaries				15,142
Gain on disposal of associates				386
Share of results of jointly controlled entity	(1,857)	0	0	(1,857)
Share of results of associated companies				638
Profit from ordinary activities before tax				16,163
Tax				(7,800)
Profit from ordinary activities after tax				8,363
Minority interest				(1,659)
Net profit for the year				<u>6,704</u>
<b>Other information</b>				
Segment assets	1,221,269	44,307	42,867	1,308,443
Interest bearing short term deposits				50,571
Jointly controlled entities and associates	(2,644)	7,962	0	5,318
Unallocated assets				121,955
Total assets				<u>1,486,287</u>
Segment liabilities	184,270	2,408	8,982	195,660
Interest bearing borrowings				873,847
Unallocated liabilities				69,561
Total liabilities				<u>1,139,068</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 33 SEGMENTAL INFORMATION (CONTINUED)

### (a) Primary reporting format – business segments (CONTINUED)

	<u>Properties</u> RM'000	<u>Timber</u> <u>(Discontinuing</u> <u>operations)</u> RM'000	<u>Education</u> RM'000	<u>Group</u> RM'000
Capital expenditure	278	0	0	278
Depreciation and amortisation Unallocated portion	13,388	115	1,197	14,700 762
				<u>15,462</u>
Impairment loss and write off of property, plant equipment Unallocated portion	6,036	0	0	6,036 4,250
				<u>10,286</u>
Allowance for doubtful debts Unallocated portion	52	542	1,852	2,446 4,029
				<u>6,475</u>
Allowance for diminution value in investments				<u>4,749</u>

	<u>Properties</u> RM'000	<u>Timber</u> <u>(Discontinuing</u> <u>operations)</u> RM'000	<u>Education</u> RM'000	<u>Petro-</u> <u>chemical</u> <u>(Discontinued</u> <u>operations)</u> RM'000	<u>Group</u> RM'000
<b>Year ended</b> <b>31 December 2002</b>					
<b>Revenue</b>					
External revenues	171,964	2,560	25,160	68,494	268,178
Total revenues	<u>171,964</u>	<u>2,560</u>	<u>25,160</u>	<u>68,494</u>	<u>268,178</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 33 SEGMENTAL INFORMATION (CONTINUED)

### (a) Primary reporting format – business segments (Cont'd)

	<u>Properties</u> RM'000	<u>Timber</u> <u>(Discontinuing</u> <u>operations)</u> RM'000	<u>Education</u> RM'000	<u>Petro-</u> <u>chemical</u> <u>(Discontinued</u> <u>operations)</u> RM'000	<u>Group</u> RM'000
<b>Year ended</b>					
<b><u>31 December 2002</u></b>					
<b>Results</b>					
Segment results	3,180	(8,264)	7,118	1,671	3,705
Unallocated results					(24,780)
Finance cost					(58,050)
Gain on disposal of segment					873
Gain on disposal of subsidiary companies					13,597
Gain on disposal of associated companies					86,632
Share of results of jointly controlled entity					14,841
Share of results of associated companies					(634)
Profit from ordinary activities before tax					36,184
Tax					(14,690)
Profit from ordinary activities after tax					21,494
Minority interest					5,526
Net profit attributable to shareholders					27,020
<b>At 31 December 2002</b>					
<b>Other information</b>					
Segment assets	950,467	12,957	29,255	0	992,679
Interest bearing short term deposits					40,959
Jointly controlled entities and associates					2,896
Unallocated assets					313,044
Total assets					1,349,578
Segment liabilities	144,756	26,967	11,281	0	183,004
Interest bearing borrowings					829,323
Unallocated liabilities			71,088		
Total liabilities					1,083,415

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 33 SEGMENTAL INFORMATION (CONTINUED)

### (a) Primary reporting format – business segments (Cont'd)

	<u>Properties</u> RM'000	<u>Timber</u> <u>(Discontinuing</u> <u>operations)</u> RM'000	<u>Education</u> RM'000	<u>Petro-</u> <u>chemical</u> <u>(Discontinued</u> <u>operations)</u> RM'000	<u>Group</u> RM'000
<b>At 31 December 2002</b>					
Capital expenditure	1,348	318	0	0	1,666
Depreciation and amortisation	3,780	1,869	1,122	2,384	9,155
Unallocated portion					833
					<u>9,988</u>
Impairment loss and write off of property, plant and equipment	34,590	0	0	0	34,590
(Writeback of)/allowance for doubtful debts	(152)	1,510	2,935	191	4,484
Unallocated portion					6,519
					<u>11,003</u>
Allowance for diminution in investments					15,639
Write down in value of development properties	5,757	0	0	0	5,757
Write down of other assets and investment					886
					<u>886</u>

### (b) Secondary reporting format - geographical segments

The Group's business segments operate in 4 main geographical areas:

- Malaysia - mainly property development
- Australasia - property development, investment holding and timber activities
- United States of America - investment holding
- Others - investment holding

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 33 SEGMENTAL INFORMATION (CONTINUED)

### (b) Secondary reporting format - geographical segments

	Turnover		Total assets		Capital expenditure	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
By geographical location						
Malaysia	81,668	173,761	983,006	1,042,062	278	277
Australasia	118,682	94,378	455,738	287,699	0	1,389
United States of America	0	0	15,723	22,451	0	0
Others	0	39	26,502	(5,530)	0	0
	<u>200,350</u>	<u>268,178</u>	<u>1,480,969</u>	<u>1,346,682</u>	<u>278</u>	<u>1,666</u>
Group's share in associated companies and jointly controlled entities			5,318	2,896	0	0
			<u>1,486,287</u>	<u>1,349,578</u>	<u>278</u>	<u>1,666</u>

## 34 SIGNIFICANT POST BALANCE SHEET EVENTS

- (a) On 2 March 2004, Lang Education Holdings Sdn Bhd ("LEH"), a wholly owned subsidiary of L&G, entered into a Share Sale Agreement with Rimbun Masyhur Sdn Bhd ("RMSB") to dispose 1,500,000 ordinary shares of RM1 each representing its entire 70% equity interest in L&G Twintech Sdn Bhd ("Twintech") and Lembah Beringin Sdn Bhd ("LBSB") entered into an Agreement with RMSB for the disposal of 50 acres of land in Lembah Beringin for a total purchase consideration of RM33,350,400 to be satisfied by way of tendering the RCSLS with an aggregate face value of RM28,347,840 together with a cash sum of RM5,002,560.
- (b) On 15 March 2004, the Company submitted to the Securities Commission, a proposal to issue up to 33,788,500 new ordinary shares of RM1 each, to identified property purchasers of LBSB and certain contractors and consultants of LBSB and Bandar Sungai Buaya Sdn Bhd ("BSB"). The proposed shares to be issued are for the settlement of amounts due by LBSB and BSB to property purchasers, contractors and consultants with regards to late delivery charges, contract expense payments and consultancy fees respectively.
- (c) On 18 March 2004, OGL entered into an agreement with L&G for the sale of certain assets in consideration of the early redemption of the convertible bonds in OGL held by L&G on the terms set out below:
- (i) The agreement is subject to and conditional upon the following:
- the Company having redeemed 4,450,000 convertible bonds within 14 days of the date of execution of the agreement for the sum of AUD4,450,000; and
  - the receipt of all necessary consents and shareholders' approvals.
- (ii) The transaction is divided into 2 separate tranches.
- In the first tranche, 6,200,000 convertible bonds will be cancelled in consideration for the transfer to L&G of the OGL's shareholding and beneficial interest in an investment in a quoted corporation and an investment in an associated company.
  - The completion of this tranche will occur shortly after receipt of shareholders' approval.
  - In the second tranche, 4,350,000 convertible bonds will be cancelled in consideration of OGL applying the final cash amount receivable by OGL under its Bank Islam (L) Ltd bank guarantee in favour of L&G.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 34 SIGNIFICANT POST BALANCE SHEET EVENTS (CONTINUED)

- (d) On 19 March 2004, L&G and its wholly-owned subsidiary, Bestform Limited ("Bestform") entered into four separate Sale And Purchase of Shares Agreements for the proposed disposal of 7,735,220 ordinary shares of A\$1.00 each ("A Shares") representing approximately 51% equity interest and 66,061,666 Class B Convertible (Non-voting) ordinary shares of A\$1.00 each ("B Shares") in OGL, its subsidiary company operating in the timber segment. As a consequence of these disposals, the Group will cease operations in the timber segment.

The details of the disposals are as follows:

- (i) The disposal by L&G to Polaris Alliance Limited of 2,736,738 A Shares and 24,773,124 B Shares for a cash purchase consideration of A\$247,662.00 (equivalent to approximately RM700,809);
- (ii) The disposal by L&G to Quantum Logistics Limited of 2,432,656 A Shares and 22,020,555 B shares for a cash purchase consideration of A\$220,143.00 (equivalent to approximately RM622,939);
- (iii) The disposal by L&G to Richland Resources Limited of 2,128,576 A Shares and 19,267,987 B Shares for a cash purchase consideration of A\$192,626.00 (equivalent to approximately RM545,074); and
- (iv) The disposal by Bestform to Interlearn (Malaysia) Sdn Bhd of 437,250 A Shares for a cash purchase consideration of A\$39,569.00 (equivalent to approximately RM111,968).

## 35 DISCONTINUED OPERATIONS AFTER THE BALANCE SHEET DATE

As disclosed in Note 34(d) to the financial statements, L&G and its wholly-owned subsidiary, Bestform Limited ("Bestform") entered into four Sale And Purchase of Shares Agreements for the proposed disposal of 7,735,220 ordinary shares of A\$1.00 each ("A Shares") representing approximately 51% equity interest and 66,061,666 Class B Convertible (Non-voting) ordinary shares of A\$1.00 each ("B Shares") in OGL, its subsidiary company operating in the timber segment. As a consequence of these disposals, the Group will cease operations in the timber segment.

The effects of the discontinued operation on the results of the Group for the current period is as follows:

	<b>Group</b>	
	<b>Year ended 31.12.2003 RM'000</b>	<b>Year ended 31.12.2002 RM'000</b>
Sales	5,544	2,560
Operating costs	(5,527)	(9,052)
Profit/(loss) from operations	17	(6,492)
Share of jointly controlled entity	310	134
Finance cost	1,079	(786)
Profit/(loss) before tax	1,406	(7,144)
Tax	0	(47)
Net profit/(loss) after tax	1,406	(7,191)
Minority interest	0	(72)
Net profit/(loss) attributable to shareholders	1,406	(7,263)

Note (i) : The expected gain arising on the discontinued operations has not been calculated as at the date of the report due to the insufficient required information in order to calculate the gain or loss arising from the discontinued operations.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2003

## 35 DISCONTINUED OPERATIONS AFTER THE BALANCE SHEET DATE (CONTINUED)

	Group	
	<u>31.12.2003</u>	<u>31.12.2002</u>
	RM'000	RM'000
Property, plant and equipment	17,799	15,067
Other non current assets	19,721	12,359
Current assets	23,481	26,060
Current liabilities	(4,471)	(11,909)
Long term liabilities	(45,598)	(29,404)
Net assets	<u>10,932</u>	<u>12,173</u>

The cash flows attributable to OGL during the year were as follows:

	Group	
	<u>31.12.2003</u>	<u>31.12.2002</u>
	RM'000	RM'000
Operating activities	(5,889)	(2,780)
Investing activities	(761)	13,319
Financing activities	3,837	1,644
Total cash flows	<u>(2,813)</u>	<u>12,183</u>

## 36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 April 2004.

# ANALYSIS OF SHAREHOLDINGS

As At 27 April 2004

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	113	0.33	2,711	0.01
100 - 1,000	7,442	22.02	7,286,756	1.25
1,001 - 10,000	20,680	61.19	95,664,555	16.41
10,001 - 100,000	5,099	15.09	150,632,588	25.84
100,001 to less than 5% of issued shares	461	1.37	255,193,920	43.78
5% and above of issued shares	1	0.00	74,096,500	12.71
Total	33,796	100.00	582,877,030	100.00

## 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	% of Issued Capital
1	Employees Provident Fund Board	74,096,500	12.71
2	Bumiputra Commerce Nominees (Tempatan) Sdn Bhd <Malayasset Ventures Sdn Bhd>	24,753,300	4.25
3	HSBC Nominees (Asing) Sdn Bhd <Barings (Guernsey) Ltd For Atlantis Asian Recovery Fund Plc>	16,000,000	2.75
4	Kuala Lumpur City Nominees (Asing) Sdn Bhd <Sung Hung Kai Investment Services Limited For Honest Opportunity Limited>	14,815,600	2.54
5	Mayban Nominees (Tempatan) Sdn Bhd <Mayban Investment Management Sdn Bhd For Malayan Banking Berhad>	10,543,053	1.81
6	Permodalan Nasional Berhad	7,392,000	1.27
7	RHB Capital Nominees (Asing) Sdn Bhd <RHB Bank (L) Ltd>	6,572,180	1.13
8	Lembaga Tabung Haji	5,775,000	0.99
9	HSBC Nominees (Asing) Sdn Bhd <DZ Bank Intl For Uni Em Fernost Treuhandkonto, Luxembourg>	4,993,600	0.86
10	Lembaga Tabung Amanah Warisan Negeri Terengganu	3,738,000	0.64
11	Amanah Raya Nominees (Tempatan) Sdn Bhd <Sekim Amanah Saham Bumiputera>	3,500,000	0.60
12	UOBM Nominees (Tempatan) Sdn Bhd <Pledged Securities Account For Nik Awang@Tan Sri Wan Azmi Bin Wan Hamzah>	3,000,000	0.51
13	HSBC Nominees (Asing) Sdn Bhd <Chase Manhattan Bank (Ireland) Plc For Invesco Gt Asean Fund>	2,888,000	0.50
14	Perlis State Economic Development Corporation	2,748,727	0.47

# ANALYSIS OF SHAREHOLDINGS

As At 27 April 2004

## 30 LARGEST SHAREHOLDERS (Cont'd)

No.	Name	No. of Shares Held		% of Issued Capital
		Direct	Indirect	
15	HSBC Nominees (Tempatan) Sdn Bhd <HSBC (Malaysia) Trustee Berhad For Amanah Saham Sarawak>	2,712,000		0.47
16	Jasmurni Sdn Bhd	2,689,000		0.46
17	AmFinance Berhad <Pledged Securities Account For Chieng Ing Mui>	2,600,000		0.45
18	DB (Malaysia) Nominee (Asing) Sdn Bhd <UBS AG Singapore For Pacific Investment Fund>	2,401,882		0.41
19	RHB Merchant Nominees (Tempatan) Sdn Bhd <RHB Sakura Merchant Bankers Berhad (CB)>	2,332,707		0.40
20	CIMSEC Nominees (Tempatan) Sdn Bhd <Pledged Securities Account For Chong Foot Lan>	2,100,000		0.36
21	Menta Construction Sdn Bhd	2,055,000		0.35
22	RHB Capital Nominees (Tempatan) Sdn Bhd <Pledged Securities Account For Rohas Sdn Bhd>	2,000,000		0.34
23	Cartaban Nominees (Asing) Sdn Bhd <DBS Vickers For HPL Investors Pte Ltd>	2,000,000		0.34
24	Citicorp Nominees (Tempatan) Sdn Bhd <Pledged Securities Account For Chong Wei Yoon>	1,883,000		0.32
25	Citicorp Nominees (Asing) Sdn Bhd <CBNY For DFA Emerging Markets Fund>	1,873,000		0.32
26	Citicorp Nominees (Tempatan) Sdn Bhd <Citibank Berhad (L & G Bhd)>	1,790,653		0.31
27	United Earthwork Sdn Bhd	1,755,000		0.30
28	YTL Power International Berhad	1,700,000		0.29
29	RHB Nominees (Asing) Sdn Bhd <Sarasin-Rabo Nominees (Singapore) Pte Ltd For Halfmoon Bay Enterprises Limited>	1,667,886		0.29
30	CIMSEC Nominees (Tempatan) Sdn Bhd <Pledged Securities Account For Gan Boon Aun>	1,600,000		0.27
	Total	213,976,088		36.71

## SUBSTANTIAL SHAREHOLDERS (5% ABOVE)

No.	Name	No. of Shares Held		% of Issued Share Capital
		Direct	Indirect	
1	Employees Provident Fund Board	74,096,500	–	12.71
2	Tan Sri Azmi Wan Hamzah	3,000,000	32,463,882	6.08

# LIST OF PROPERTIES

As At 31 DECEMBER 2003

LOCATION	HECTARES/ SQUARE FT	DESCRIPTION	NET BOOK VALUE RM'000
P.T. 8, Section 59 District of Federal Territory Town of Kuala Lumpur Federal Territory	4.00	Underground carpark and commercial complex situated on leasehold land expiring in 2031 Age of buildings: 15 years	6,517
Lot 36 & 42, Jalan Tun Ismail Kuala Lumpur	0.68	Residential and commercial units on freehold land Age of buildings: 10 years	21,620
Lot No. P.T. 19, Section 51 Bandar Kuala Lumpur	1.02	Vacant parcel of freehold land for commercial development - sector 3	971
Lot 33, Villa Putera Condominium Jalan Tun Ismail, Kuala Lumpur	0.0114	Residential and commercial units on freehold land Age of buildings: 11 - 12 years	2,979
Ladang Kerling & Ladang Sungai Jernih Mukim of Kerling District of Ulu Selangor	1,009.71	Freehold rubber and oil palm estate land	48,146
Bandar Sri Damansara Housing Development Project, Balance of development land in Mukim of Sungai Buloh/Batu District of Petaling Gombak, Selangor	36.72	Freehold property development land	61,369
Bandar Sungai Buaya Housing Development Project, Balance of development land in Ladang Sungai Buaya District of Ulu Selangor Mukim of Serendah, Selangor	463.06	Leasehold rubber land expiring in 2095	99,342
Lembah Beringin Housing Development Project, Balance of development land in Ladang Sungai Belata Lot No. 602, 610, 863, 864, 1501 & 1503 Mukim of Kuala Kalumpang/Gumut Selangor	620.69	Freehold property development land	57,921
Lembah Beringin, Ladang Sungai Belata Mukim of Kuala Kalumpang/Gumut Selangor	56.65	18 hole golf course	12,684
Lembah Beringin, Ladang Sungai Belata Mukim of Kuala Kalumpang/Gumut Selangor	3.15	Land for equestrian park	282
No. 3, Jalan Kenari 1, Lembah Beringin 44110 Kuala Kubu Bahru Selangor	2,283 sq ft	Site office - double storey bungalow	199
Sekolah Sri Bestari, Persiaran Margosa Bandar Sri Damansara	–	Private school building complex Age of buildings: 4 - 6 years	13,737
Lot 2058 & 2059, Rizab, Jalan M Kempas Johor Bahru, Johor	5.56	Vacant freehold lands	11,988

# LIST OF PROPERTIES

As At 31 DECEMBER 2003

LOCATION	HECTARES/ SQUARE FT	DESCRIPTION	NET BOOK VALUE RM'000
HS(D) 14975, P.T. No.3389 Mukim of Semantan, District of Termerloh Pahang	4.86	Vacant leasehold land expiring in 2055	66
Lot No. 21533, Mukim of Sungai Buloh District of Petaling, Gombak, Selangor	14.48	Sri Damansara Club house & hawker centre situated on freehold land Age of buildings: 9 years	7,414
H.S.(D) 92218 P.T. 30641 Mukim of Sungai Buloh District of Petaling, Gombak, Selangor	0.40	Hawker centre situated on freehold land Age of buildings: 6 years	5,246
H.S. (D) 1349 P.T. 269, Lot No. 40, Mukim of Songsang, District of Temerloh Pahang	6.07	Office and factory buildings situated on leasehold land expiring in 2040 Age of buildings: 16 years	7,772
Lot Nos. 659, 663, 664 & 665 Mukim of Sungai Petani District of Kuala Muda, Kedah	14.71	Factory property development land	6,859
H.S.(D) 2220 P.T. 378 & 481, Lot Nos. 43 & 82, Mukim of Songsang District of Temerloh, Pahang	1.21	Office and factory buildings situated on leasehold land expiring in 2044 and 2050 Age of buildings: 9 years	2,425
<b><u>Overseas</u></b>			
World Trade Centre, Melbourne Australia	2.77	5-interlinked buildings situated on freehold land Age of buildings: 20 years	237,007
Lot 2, CT 13734 Navutu Industrial Sub-Division, Lautoka Navutu, Fiji	3.29	Factory building complex on leasehold land expiring in 2070 Age of buildings: 29 years	5,396
Galoa, Navua Waivunu, Fiji	36.32	Factory building complex on leasehold land expiring in 2086 Age of buildings: 9 years	4,242

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 41st Annual General Meeting of Land & General Berhad will be held at the Saga Room, Sri Damansara Club, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Tuesday, 29 June 2004 at 10.00 a.m. for the following purposes:-

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2003 and the Reports of the Directors and Auditors thereon **(Resolution 1)**
2. To approve the payment of Directors' fees **(Resolution 2)**
3. To re-elect the following Directors:
  - Datuk Dr Salleh Mohd Nor **(Resolution 3)**
  - Rita A/P Benoy Bushon **(Resolution 4)**
  - Md Tarmuzi Md Salleh **(Resolution 5)**
4. To appoint Messrs Ernst & Young as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers and to authorise the Directors to fix their remuneration **(Resolution 6)**
5. As Special Business
  - To consider and if thought fit, to pass the following Ordinary Resolution:-
  - Allotment of shares pursuant to Section 132D of the Companies Act, 1965
  - "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised 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 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, subject always to the approval of all relevant regulatory bodies being obtained for such allotments and issues." **(Resolution 7)**
6. To transact any other business for which due notice shall have been given

By order of the Board

**LIM FONG EEN**

Company Secretary  
(MAICSA 0785833)  
Kuala Lumpur  
7 June 2004

Notes:-

1. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney, and in the case of a corporation either under its common seal or signed by its attorney or by an officer on behalf of the corporation.
3. The Proxy Form, duly completed, must be deposited at the Registered Office of the Company, 2nd Floor, 7 Persiaran Dagang, Bandar Sri Damansara, 52200 Kuala Lumpur not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.
4. Explanatory Notes  
[Resolution 6](#)

The Company has received a Notice of Nomination pursuant to Section 172 (11) of the Companies Act, 1965, a copy of which is set out on page 96, for the nomination of Messrs Ernst & Young for appointment as Auditors of the Company in place of the retiring Auditors.

[Resolution 7](#)

Resolution 7, if passed will give the Directors of the Company, from the date of the above Meeting, authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting expires, at the next Annual General Meeting.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### 1) DIRECTORS WHO ARE STANDING FOR RE-ELECTION PURSUANT TO ARTICLE 93 OF THE COMPANY'S ARTICLES OF ASSOCIATION

The Directors who are standing for re-election at the 41st Annual General Meeting of the Company are as follows:-

- i) Datuk Dr Salleh Mohd Nor
- ii) Rita A/P Benoy Bushon
- iii) Md Tarmuzi Md Salleh

### 2) PROFILE OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The profiles of the Directors standing for re-election are set out on pages 9 and 11.

### 3) DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

A total of 5 Board Meetings were held during the financial year ended 31 December 2003.

The attendance of the Directors standing for re-election at the 41st Annual General Meeting are disclosed in the Statement of Corporate Governance under the section entitled "Board Meetings" on page 16.

### 4) PLACE, DATE AND TIME OF GENERAL MEETINGS HELD DURING THE YEAR

Date	Time	Place
14 February 2003	3.00 p.m.	Saga Room, Sri Damansara Club, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur
26 June 2003*	10.00 a.m.	Saga Room, Sri Damansara Club, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur

\*40<sup>th</sup> Annual General Meeting

## NOTICE OF NOMINATION

**Tan Moi Lang**  
No. 86, Jalan 20/2  
Paramount Garden  
46300 Petaling Jaya  
Selangor

14<sup>th</sup> May 2004

**The Board of Directors**  
**Land & General Berhad**  
2<sup>nd</sup> Floor, 7 Persiaran Dagang  
Bandar Sri Damansara  
52200 Kuala Lumpur

Dear Sirs

### NOTICE OF NOMINATION OF ERNST & YOUNG AS AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, I being a shareholder of the Company, hereby give notice of nomination of Ernst & Young as Auditors of the Company in place of the retiring Auditors, PricewaterhouseCoopers and of my intention to propose the following as an ordinary resolution at the forthcoming Annual General Meeting of the Company:-

“That Ernst & Young be appointed Auditors of the Company in place of the retiring auditors, PricewaterhouseCoopers at a remuneration to be fixed by the Directors and to hold office until the conclusion of the next Annual General Meeting”.

Yours faithfully



**Tan Moi Lang**  
Shareholder of Land & General Berhad



## LAND & GENERAL BERHAD

(Company No. 5507-H)  
(Incorporated in Malaysia)

### Proxy Form

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of LAND & GENERAL BERHAD hereby appoint \_\_\_\_\_

or failing him, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the 41ST ANNUAL GENERAL MEETING OF THE COMPANY to be held at the Saga Room, Sri Damansara Club, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Tuesday, 29 June 2004 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies shall vote as indicated below:-

	RESOLUTIONS	FOR	AGAINST
No. 1	Adoption of Reports and Accounts		
No. 2	Payment of Directors' fees		
	Re-election of Directors:		
No. 3	Datuk Dr Salleh Mohd Nor		
No. 4	Rita A/P Benoy Bushon		
No. 5	Md Tarmuzi Md Salleh		
No. 6	Appointment of Auditors		
No. 7	Approval under Section 132D, Companies Act, 1965		

No. of Shares	
---------------	--

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast on the resolutions specified. If you do not do so, the proxy/proxies will vote or abstain from voting at his/her/their discretion.)

#### NOTES:

1. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints two proxies the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney, and in case of a corporation either under its common seal or signed by its attorney or an officer on behalf of the corporation.
4. The Proxy Form, duly completed, must be deposited at the Registered Office of the Company, 2nd Floor, 7 Persiaran Dagang, Bandar Sri Damansara, 52200 Kuala Lumpur not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.



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Stamp

The Company Secretary  
**Land & General Berhad**  
2nd Floor  
7 Persiaran Dagang  
Bandar Sri Damansara  
52200 Kuala Lumpur

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