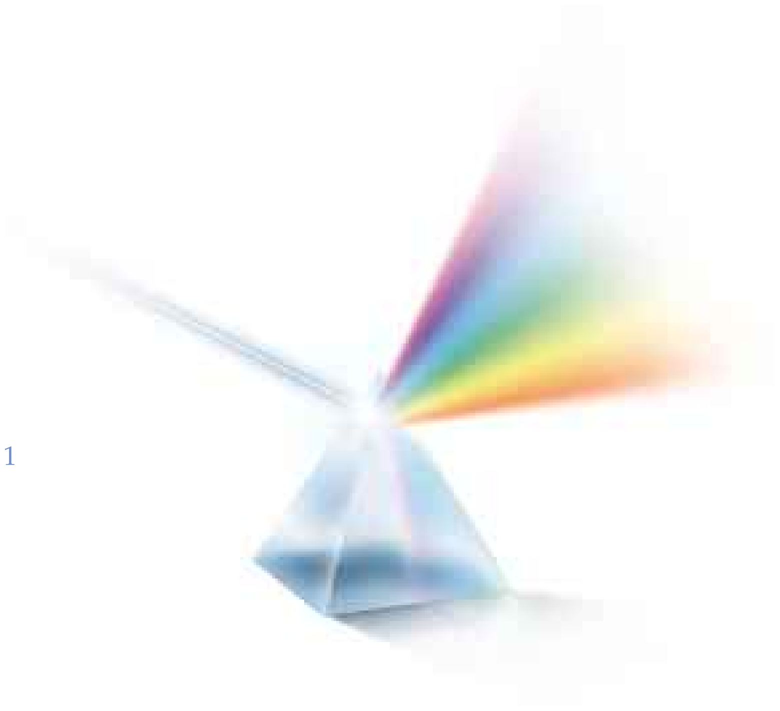


Annual Report 2001

DANAHARTA
Pengurusan Danaharta Nasional Berhad

DANAHARTA

The Cover Rationale

Pengurusan Danaharta Nasional Berhad was set up in June 1998 to take over non-performing loans (NPLs) from financial institutions in Malaysia and resolve them whilst seeking maximum recovery value.

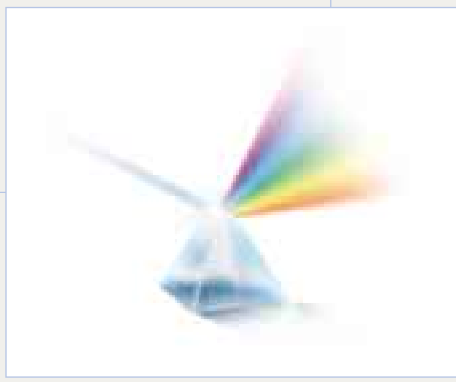
The cover concept features the prism – a special transparent glass that separates white light into a spectrum of colours. This is a depiction of the analytical manner in which Danaharta deals with NPLs under its care and effects the recovery process. Recovery cannot be achieved by applying just a single technique/approach to all the NPLs. In order to extract maximum recovery value, Danaharta studies each NPL account before selecting the most appropriate strategy to effect recovery. The transparency of the prism also reflects the transparency of Danaharta in carrying out its operations.

In brief, Danaharta makes every effort to restructure NPLs into performing loans (if possible and in compliance with strict guidelines) as this results in the best recovery rates. The amount of restructuring work and complexity of tasks will vary from account to account.

If the NPL account is unable to be restructured then Danaharta would foreclose and sell any loan collateral (shares and/or property) via a market driven process e.g. tenders.

Any unsold property during such tenders would be taken over by Danaharta who would manage the property to make it attractive for sale e.g. by implementing value-adding strategies (where possible). Danaharta has no intention of being permanent owners of any asset.

C O N T E N T S



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of PENGURUSAN DANAHARTA NASIONAL BERHAD will be held by way of Shareholder's Circular Resolution pursuant to Article 72 of the Company's Articles of Association to transact the following businesses:

AS ORDINARY BUSINESS

Ordinary Resolutions

1. To receive the Audited Accounts for the financial year ended 31 December 2001 including the Directors' Report and the Auditors' Report thereon.
   (Resolution 1)

2. To re-appoint PricewaterhouseCoopers as the Company's auditors and to authorise the directors to fix the auditors' remuneration.
   (Resolution 2)

AS SPECIAL BUSINESS

Ordinary Resolutions

To consider and, if thought fit, pass the following Ordinary Resolutions:

3. "That the directors' fees and allowances of RM270,219.18 for the financial year ended 31 December 2001 be approved."
   (Resolution 3)

4. "That Y. Bhg. Dato' Ho Ung Hun be re-appointed as a director in accordance with Section 129(6) of the Companies Act, 1965."
   (Resolution 4)

By Order of the Board

PHANG TUCK KEONG
SHAMSIAH A. RAHMAN
Joint Company Secretaries

Kuala Lumpur
29 April 2002

CORPORATE INFORMATION

Corporate Information

BOARD OF DIRECTORS

- Dato' Mohamed Azman Yahya – *Chairman*
- Encik Abdul Hamidy Hafiz – *Managing Director*
- Puan Husniarti Tamin
- Dato' Mohd Salleh Hj Harun
- Dato' N. Sadasivan
- Dato' Ho Ung Hun
- Dato' Mohamed Md Said
- Mr. Alister T. L. Maitland
- Mr. David Moir

NON-BOARD COMMITTEES

Oversight Committee
Puan Siti Maslamah Osman
Encik Mohd Razif Abdul Kadir
Datuk Ali Tan Sri Abdul Kadir

Tender Board
Encik Abdul Hamidy Hafiz
Mr. Ee Kok Sin
Encik Zainuddin Abdul Rahman
Encik Abdul Jabbar Majid
(resigned with effect from 31 December 2001)
Encik Abdul Halim Othman

JOINT COMPANY SECRETARIES

Mr. Andrew Phang Tuck Keong
Puan Shamsiah A. Rahman

BOARD COMMITTEES

Executive Committee
Dato' Mohamed Azman Yahya – *Chairman*
Puan Husniarti Tamin
Dato' N. Sadasivan
Encik Abdul Hamidy Hafiz

Audit Committee
Dato' Ho Ung Hun – *Chairman*
Dato' Mohd Salleh Hj Harun
Mr. Alister T. L. Maitland

Remuneration Committee
Dato' Mohamed Azman Yahya – *Chairman*
Dato' N. Sadasivan
Dato' Mohamed Md Said
Mr. David Moir

REGISTERED OFFICE

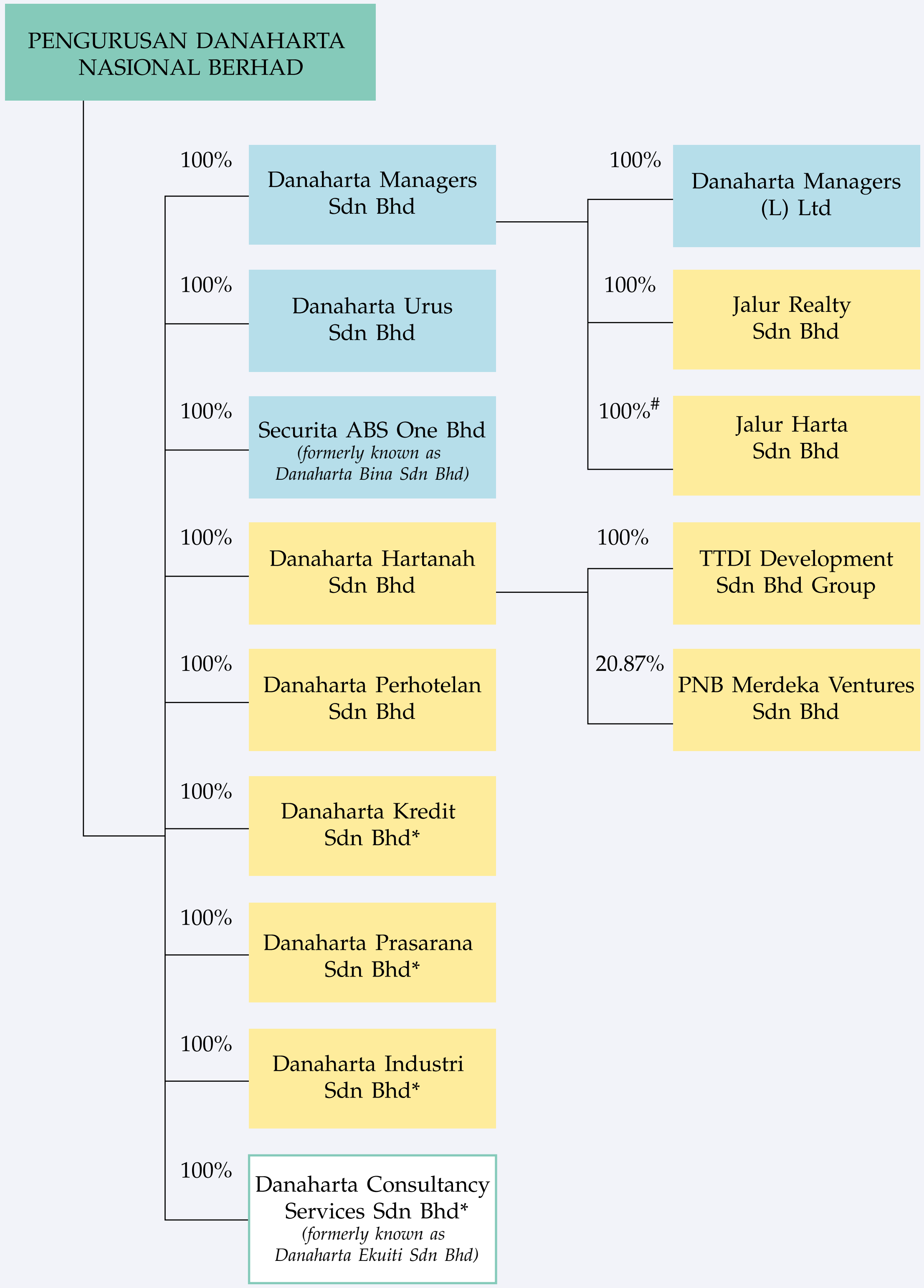
Tingkat 10, Bangunan Setia 1
15 Lorong Dungun
Bukit Damansara
50490 Kuala Lumpur
Malaysia
Tel: 603-2093 1122
Fax: 603-2093 4360

AUDITORS

PricewaterhouseCoopers
11th Floor, Wisma Sime Darby
Jalan Raja Laut
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

Group Structure

Danaharta Group of Companies as at 31 December 2001



* Dormant as at 31 December 2001
\# Effective holding

Loan Management Subsidiaries
Asset Management Subsidiaries

Key Management Personnel

PENGURUSAN DANAHARTA NASIONAL BERHAD

Encik Abdul Hamidy Hafiz
Managing Director

Encik Zukri Samat
Director, Operations

Encik Johan Ariffin
Senior General Manager, Property

Mr. Derrick Fernandez
Senior General Manager, Corporate Debt Restructuring Division

Encik Fazlur Rahman Ebrahim
General Manager 1, Operations

Encik Kris Azman Abdullah
General Manager 2, Operations

Mr. Andrew Phang Tuck Keong
General Manager, Legal Affairs and Joint Company Secretary

Mr. Ramesh Pillai
General Manager, Risk Management

Encik Shariffuddin Khalid
General Manager, Communications and Human Resource

Mr. Ee Kok Sin
General Manager, Finance and Services

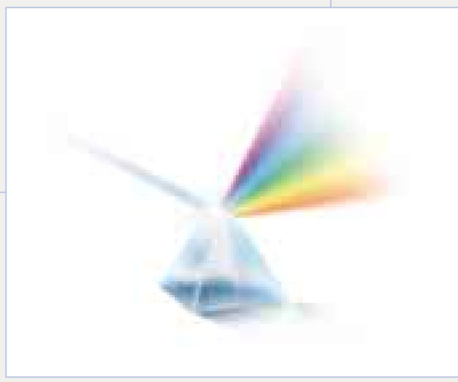
Mr. Eric Kew Ngai Yin
General Manager, Corporate Services

Puan Fatimah Abu Bakar
General Manager, Internal Audit and Compliance

TTDI DEVELOPMENT SDN BHD GROUP

Tuan Syed Hamid Hussain Al-Habshee
Group Chief Executive Officer

BOARD OF DIRECTORS & MANAGEMENT TEAM



BOARD of Directors

Sitting from left to right:
PUAN HUSNIARTI TAMIN, YANG BERBAHAGIA DATO' AZMAN YAHYA, ENCIK ABDUL HAMIDY HAFIZ, YANG BERBAHAGIA DATO' MOHD SALLEH HJ HARUN

Standing from left to right:
MR. ANDREW PHANG, YANG BERBAHAGIA DATO' N. SADASIVAN, YANG BERBAHAGIA DATO' HO UNG HUN, MR. DAVID MOIR, MR. ALISTER MAITLAND, YANG BERBAHAGIA DATO' MOHAMED MD SAID, PUAN SHAMSIAH A. RAHMAN.

Profile of Board of Directors

DATO' MOHAMED AZMAN YAHYA

Chairman

Dato' Azman was appointed by the Minister of Finance as the Chairman of Danaharta on 1 August 2001. Immediately prior to his appointment as Chairman, he served as the Managing Director of Danaharta since its inception on 20 June 1998 until 31 July 2001. He holds a Bachelor's degree in Economics with first class honours from the London School of Economics and Political Science from the University of London and is a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants.

Dato' Azman is also the Chairman of the Corporate Debt Restructuring Committee (CDRC). He sits on the board of several listed and private companies including Sime Darby Berhad, Malaysia Airline System Berhad, Island & Peninsular Berhad and Pharmaniaga Berhad. He also serves as a member of the Malaysian Steering Committee on Bank Restructuring, the advisory panels for the Malaysian Banking Masterplan, Malaysia Venture Capital Management Berhad and the Securities Commission Capital Market Advisory Council.

ENCIK ABDUL HAMIDY HAFIZ

Managing Director

Encik Hamidy was appointed by the Minister of Finance as the Managing Director of Danaharta on 1 August 2001. He holds a Bachelor's degree in Business Administration and an MBA from Ohio University, USA. He is also a Fellow of the Institute of Bankers Malaysia.

Prior to his appointment, Encik Hamidy served as Director of Operations for Danaharta since its inception in June 1998. As Director of Operations and a senior member of the management team, he oversaw all loan management activities carried out by the agency – ranging from establishing procedures and processes to acquisition of non-performing loans (NPLs) to management and recovery work.

He has extensive experience in corporate banking and banking operations both with local and international financial institutions. Immediately prior to joining Danaharta, Encik Hamidy held several senior positions in the Amanah Capital Group (then a financial services and property group).

He is currently a member of the Kuala Lumpur Stock Exchange Listing Sub-Committee and also a member of the Corporate Debt Restructuring Committee. Encik Hamidy is also a Director of Intria Berhad, Malaysia Building Society Berhad and Crest Petroleum Berhad.

PUAN HUSNIARTI TAMIN

Director

Puan Husniarti was appointed to Danaharta's Board of Directors and Executive Committee in August 2000. She is currently the Deputy Secretary-General (Systems and Control) of Treasury, Ministry of Finance.

Prior to this, she was the Deputy Secretary-General II at the Ministry of Energy, Communications and Multimedia (1996-2000). Puan Husniarti has been in Government service since 1972 when she joined the Economic Planning Unit (Human Resources Section), Prime Minister's Department, as Assistant Secretary.

Puan Husniarti holds a Masters in Business Administration from University of Oregon, USA and a Bachelor's degree in Economics (Hons) from University of Malaya.

Profile of Board of Directors

DATO' MOHD SALLEH HJ HARUN

Director

Dato' Salleh was appointed to Danaharta's Board of Directors in September 2000. He became a Deputy Governor of Bank Negara Malaysia in May 2000.

Dato' Salleh started his career in Government in 1971. He left the service in 1974 to join Aseambankers Malaysia Berhad, a merchant bank within the Malayan Banking Group. He served the merchant bank for 14 years before leaving to take a senior management position in Maybank, in August 1988. In June 1994, Dato' Salleh was appointed as Executive Director of Maybank. He also served on the boards of Aseambankers, Mayban Securities Sdn Bhd, Mayban Assurance Sdn Bhd as well as several other companies within the Malayan Banking Group.

Dato' Salleh also sits on the boards of Bank Industri Malaysia Berhad and Credit Guarantee Corporation Malaysia Berhad.

He is a member of the Malaysian Association of Certified Public Accountants.

DATO' N. SADASIVAN

Director

Dato' Sadasivan was with the Malaysian Industrial Development Authority (MIDA) for 27 years where he last served as its Director-General from 1984 to 1995. Prior to joining MIDA, he was an Economist/Head of Division with the Economic Development Board (EDB) of Singapore (1963 – 1968).

Dato' Sadasivan also sits on the boards of Chemical Company of Malaysia Berhad, Leader Universal Holdings Berhad, Petronas Gas Berhad, Amanah Capital Partners Berhad, APM Automotive Holdings Berhad, Malaysian Airline System Berhad and Bukit Katil Resources Berhad. He is also a Director of Bank Negara Malaysia.

DATO' HO UNG HUN

Director

Dato' Ho was a Member of Parliament between 1969 and 1982, having served as Deputy Minister of Road Transport, Deputy Minister of Finance, Minister without Portfolio in the Prime Minister's Department and Minister of Labour and Manpower. He retired from Government in 1982 and became the Vice-Chairman (non-executive) of Malayan Banking Berhad in 1983.

Dato' Ho also sits on the boards of Mayban Finance Berhad, Aseambankers Malaysia Berhad, Aseamlease Berhad, Aseam Credit Sdn Bhd, Mayban Trustees Berhad, Mayban International (L) Limited, Mayban International Trust (Labuan) Berhad, Mayban Offshore Corporate Services (Labuan) Sdn Bhd, Mayban Management Berhad and DMIB Berhad.

Profile of Board of Directors

DATO' MOHAMED MD SAID
Director

Dato' Mohamed has been the Managing Director of Sime UEP Properties Berhad since July 1990. He joined Sime Darby Berhad in 1981 as Group Legal Adviser and later served as Group Secretary of the company.

Prior to this, Dato' Mohamed served as Group Manager, Corporate Affairs at Kumpulan Fima Berhad (1979 – 1981); Senior Legal Adviser at Petroliam Nasional Berhad (1975 – 1979); and Deputy Public Prosecutor/Federal Counsel at the Attorney General's Chambers (1970 – 1974).

MR. ALISTER MAITLAND
Director

Mr. Maitland spent over 35 years with the ANZ Banking Group Ltd (ANZ), retiring in June 1997. He served in New Zealand, United Kingdom and Australia. Amongst other positions, he was Chief Economist and then held General Management positions in Global Treasury, Retail Banking, Management Services and was Managing Director of ANZ in New Zealand. In his last six years with ANZ, he was on the main board of the bank being Executive Director International. In this position, he was directly responsible for the Group's operations in forty-two countries.

Today, he is a consultant to corporations and Governments and a professional company director. He is Deputy Chairman of the Victorian Schools of Innovation Commission and Chairman of Eastern Health Network Victoria, ComLand Ltd, Folkestone Limited, Mawson Capital Pty Ltd, Bevington Consulting Ltd and Australian Centre for International Business, University of Melbourne.

MR. DAVID MOIR
Director

Mr. Moir was appointed to Danaharta's Board of Directors with effect from 5 October 2001. He replaces Mr. Eoghan M. McMillan who completed his tenure as a Board member of Danaharta on 1 July 2001. Mr. Moir is currently a non-executive Director and Advisor to Standard Chartered Bank plc, United Kingdom. He has served the Standard Chartered Bank Group in various capacities since 1958. Mr. Moir was the Group Executive Director of Standard Chartered plc from 1993 to 2000, where he was responsible for the bank's corporate and institutional banking operations worldwide. He assumed his current position with Standard Chartered Bank plc in 2000. Throughout his career as a banker, Mr. Moir has acquired experience in commercial and investment banking, finance and trust company operations, as well as in the areas of corporate governance and compliance.

Apart from being a director of a number of financial institutions and banking councils, Mr. Moir served as an Appointed Member of the Hong Kong Exchange Fund Advisory Committee, as well as on International and Asia Pacific Boards of VISA International. He was also a former member of the Philippines British Council and Singapore International Chamber of Commerce. Mr. Moir was appointed Fellow of the Malaysian Institute of Bankers (IBBM) in 1987, and was appointed Commander of the Order of the British Empire (CBE) in 2000.

Oversight Committee

As provided for by Section 22 of the Pengurusan Danaharta Nasional Berhad Act, 1998, an Oversight Committee was established in November 1998 to perform the following tasks:

- Approve appointments of Special Administrators and Independent Advisors as requested by Danaharta.
- Approve any extension or termination of moratorium periods given to companies under Special Administrators.
- Approve the termination of the services of Special Administrators and termination of the administration of companies.

The Oversight Committee comprises three members, being representatives of the Ministry of Finance, Bank Negara Malaysia and Securities Commission, each appointed by the Minister of Finance.

PUAN SITI MASLAMAH OSMAN

Puan Siti Maslamah is the Accountant-General at the Ministry of Finance. She has also served as Deputy Accountant-General (Management and Operation); senior accountant in various divisions of the Accountant-General's Department including Consultancy Services Division; Modernisation Accounting Unit and Information Technology Services Division; and Finance Manager at Bank Simpanan Nasional Berhad.

Puan Siti Maslamah sits on the board of several governmental agencies including Universiti Kebangsaan Malaysia, Kumpulan Wang Simpanan Guru, Lembaga Piawaian Perakaunan Malaysia and Institut Akauntan Malaysia. In addition, she is a council member of the Chartered Institute of Management Accountants (CIMA) Malaysia Division.

Puan Siti Maslamah is also a Fellow of CIMA, United Kingdom.

ENCIK MOHD RAZIF ABDUL KADIR

Encik Mohd Razif is the Assistant Governor of Bank Negara Malaysia (BNM), the central bank of Malaysia.

He graduated with a Bachelor of Economics (Hons) degree from the University of Malaya and obtained his Masters in Business Administration (majoring in Finance) from Syracuse University, New York, USA. He joined BNM in 1976 and since then has held various senior positions in BNM. Among others, he was the Chief Representative of the London Representative Office; and Director of Bank Regulation Department. He was seconded to the Labuan Offshore Financial Services Authority (LOFSA) as its Director General from 1999 to 2001.

Encik Mohd Razif sits on the Board of Financial Park Sdn Bhd, Cagamas Berhad and TPPT Sdn Bhd. He is also a member of the Corporate Debt Restructuring Committee and the Employee Provident Fund Investment Panel.

DATUK ALI TAN SRI ABDUL KADIR

Datuk Ali is the Chairman of the Securities Commission, a post he assumed on 1 March 1999. He is Chairman of the Capital Market Advisory Council and a member of the Foreign Investment Committee, Financial Reporting Foundation and the National Economic Consultative Council II (MAPEN II) Working Groups on Islamic Banking & Financial System, and Economics and Competitiveness. Datuk Ali also sits on the Finance Committee on Corporate Governance and is a member on the Labuan Offshore Financial Services Authority.

Datuk Ali is Chairman of the Asia-Pacific Regional Committee of the International Organisation of Securities Commissions (IOSCO) and an ex-officio member of the IOSCO Executive Committee.

Before assuming his present position, Datuk Ali was the Executive Chairman and a Partner of Ernst & Young and its related firms. He started his career in accounting in 1969 and qualified as a member of the Institute of Chartered Accountants in England & Wales in 1974. Datuk Ali was also the President of the Malaysian Association of Certified Public Accountants, before his appointment as Chairman of the Securities Commission.

ENCIK ABDUL HAMIDY HAFIZ
Managing Director

From left to right:
ENCIK SHARIFFUDDIN KHALID *General Manager, Communications and Human Resource*, **MR. ANDREW PHANG** *General Manager, Legal Affairs and Joint Company Secretary*, **ENCIK FAZLUR RAHMAN EBRAHIM** *General Manager 1, Operations*, **MR. ERIC KEW** *General Manager, Corporate Services*

MANAGEMENT team

From left to right:
ENCIK ZUKRI SAMAT *Director, Operations*, **MR. DERRICK FERNANDEZ** *Senior General Manager, Corporate Debt Restructuring Division*, **ENCIK KRIS AZMAN ABDULLAH** *General Manager 2, Operations*, **MR. EE KOK SIN** *General Manager, Finance and Services*

Standing from left to right:
TUAN SYED HAMID HUSSAIN AL-HABSHEE *Group Chief Executive Officer, TTDI Development Sdn Bhd*, **ENCIK JOHAN ARIFFIN** *Senior General Manager, Property*

Sitting from left to right:
MR. RAMESH PILLAI *General Manager, Risk Management*, **PUAN FATIMAH ABU BAKAR** *General Manager, Internal Audit and Compliance*

CHAIRMAN'S STATEMENT

CHAIRMAN'S Statement

DATO' MOHAMED AZMAN YAHYA
Chairman

On behalf of the Board of Directors, it is my pleasure to present the annual accounts and report for PENGURUSAN DANAHARTA NASIONAL BERHAD for the financial year ended 31 December 2001.

ACQUISITIONS

Deliberately designed as a finite life institution, Danaharta's unique single lifecycle is divided into three main phases – establishment, acquisition (of NPLs) and resolution. Since its inception in mid-1998, Danaharta has completed its establishment and acquisition phases. It is now in its third and last phase which is also the longest and most difficult. Danaharta targets to close down by end-2005.

As at 31 December 2001, Danaharta had RM47.72 billion (value of loan rights acquired[LRA]) of NPLs in its portfolio comprising RM19.82 billion acquired from 66 financial institutions (FIs) and RM27.9 billion from the Sime Bank Group and Bank Bumiputra Group being managed on behalf of the Government. Danaharta's NPL portfolio increased slightly since last year as a result of Bank Bumiputra Group NPLs transferred under a put option given to Bumiputra Commerce Bank Berhad. The put option expired at the end of August 2001.

No further acquisition exercises are being contemplated and Danaharta has been concentrating on managing and resolving the NPLs in its portfolio. Danaharta recognises that the banking system will have a certain level of NPLs; this being a normal feature of any banking system. Danaharta's role in the past has been to remove enough NPLs from the system to allow it to function efficiently to support the economy, that is to provide funding to viable businesses and borrowers. Stress tests conducted by the Malaysian central bank – Bank Negara Malaysia indicate that although NPL levels in the banking system in recent times appear to be rising slightly as a result of the weak global economy, the banks are sufficiently capitalised to cope with it.

MANAGEMENT AND DISPOSAL OF THE NPLS

It is worth noting that as part of the acquisition agreements, in respect of the NPLs acquired from financial institutions (FIs), Danaharta entered into surplus sharing arrangements with these institutions. The arrangements provide that any excess in recovery values over and above Danaharta's initial costs of acquisition plus directly attributable costs are shared with the selling FI on an 80:20 basis in favour of the FI. Should Danaharta recover less than its cost of acquisition, then the loss is borne solely by Danaharta. Payments to FIs in respect of such realised surpluses have been made during the year. A list of recipients can be found on page 35 of the Annual Report.

With regard to NPLs pertaining to the Sime Bank Group and Bank Bumiputra Group, all recoveries are for Bank Negara Malaysia and the Government respectively less any commissions due to Danaharta.

Reviewing Danaharta's progress in the resolution phase, NPLs with an LRA value of approximately RM47.69 billion have been dealt with, almost 100% of its portfolio. This means that Danaharta has identified the primary strategy for each account and in some cases, has already implemented them. The remaining NPLs with an LRA value of RM0.03 billion, which account for less than 0.1% of its portfolio, will be dealt with in 2002. In respect of the NPLs that have been dealt with, Danaharta is expected to now focus on implementing approved recovery strategies until its targeted closure date of 2005. The average expected recovery rate from the NPLs that have been dealt with stood at 56% as at end December 2001. This average recovery is calculated by projecting the expected recovery proceeds from resolution exercises (e.g. a restructuring scheme or sale of collateral) over the outstanding loan amounts. However, it is worthwhile noting that when calculating the expected recovery rates, Danaharta assumes a very conservative stance e.g. for loans that have been restructured and subsequently defaulted, zero recovery

proceeds are assumed for calculation purposes. In such instances, Danaharta will fall back on alternative recovery strategies such as foreclosure and sale of loan collateral. Eventually, the actual recovery rates will be calculated at the end of Danaharta's life.

Asset Groups

Danaharta's recovery operations result in recovery proceeds being generated in four asset groups - cash, restructured loans, securities and properties. The non-cash asset groups i.e. restructured loans, securities and properties will be converted into cash over time. Ultimately, cash is required to redeem Danaharta bonds that were issued to FIs during the acquisition phase as consideration for NPLs sold to Danaharta. Full details regarding Danaharta bonds can be found on page 27 of the Annual Report.

Coming back to the four asset groups, the first group – cash, is typically derived from sale of collateral, payment of restructured loans or cash settlements received from NPL borrowers. The second group – restructured loans, are NPLs that have been restructured into performing loans and thus generate cash over its repayment period. The third and fourth groups – securities and properties, should not be confused with loan collateral that could be shares or properties. Assets in these groups are derived from non-cash settlements by the NPL borrower e.g. at times a recovery scheme will entail securities being issued to Danaharta or a piece of property being offered as settlement. The other type of property owned by Danaharta is property loan collateral, which had been foreclosed and offered for sale in Danaharta's property tenders but remains unsold. Consequently, ownership of the property is transferred to Danaharta i.e. essentially Danaharta takes the said property as settlement.

As at 31 December 2001, Danaharta's recovery operations generated approximately RM15.17 billion. RM7.98 billion in cash and 36.6 million units of securities at par value have been distributed to FIs. The remainder will contribute towards the bond redemption exercise commencing in December 2003.

Asset backed securitisation

During the year, as part of efforts to generate cash quickly, Danaharta embarked on its inaugural asset backed securitisation exercise. In essence, Danaharta sold a portfolio of performing loans (with an approximate value of RM579 million) together with some cash to a special purpose vehicle called Securita ABS One Berhad (Securita). Securita in turn issued Senior Notes and Junior Notes to fund the purchase. The Senior Notes (triple A rated by Rating Agency Malaysia Berhad) were eventually subscribed for by financial investors via a book building process run by joint lead managers – Deutsche Bank (M) Berhad and Alliance Merchant Bank Berhad. The issue was oversubscribed by 3.5 times and priced at a yield of 4 per cent. The good response augurs well for future asset backed securitisation exercises by Danaharta.

The exercise was also the first time asset backed securities of the collateralised loan obligation variety had been launched in Malaysia and served to deepen and further accelerate the development of the local bond market.

TRANSPARENCY AND PUBLIC RELATIONS

Given Danaharta's strong commitment to transparency in its operations, during the year, it held public briefings, issued quarterly status reports on its operations, regularly updated its comprehensive website, replied to Parliament queries and generally adopted a pro-active stance vis-á-vis its public relations. This enabled everyone interested in tracking Danaharta's activities to do so with minimal effort.

After the initial wave of scepticism and cynicism that greeted Danaharta upon its establishment in 1998, it is somewhat gratifying to see an almost universal acceptance of the approach and model that has brought us thus far. During the year, in response to Government requests, Danaharta also made comprehensive briefings to foreign government agencies and central banks in Turkey, Taiwan, China, Indonesia and Thailand. Danaharta also hosted visits from no less than 17 different organisations from 13 countries. Danaharta's approach and model continues to be developed as anyone looking at changes in our corporate and organisation structure over the last three years will see. However, the principle has always been that the approach must be based on clear logic and taking into account the practical implications.

FINANCIAL RESULTS

For the period ended 31 December 2001, the Danaharta Group made a consolidated net loss of RM305.96 million mainly attributable to financing costs. No dividends were declared. In line with previous years, operating expenditure was kept low at RM73.2 million, testament to the leanness of the organisation and emphasis on economising costs where possible.

It should be noted that NPL resolution agencies all over the world make losses and as such Danaharta's key objective is to maximise recovery values so as to minimise the eventual cost that will be borne by the Government. The decision to have an NPL resolution agency should also be seen in light of the fact that its absence would have allowed a collapse of the banking system with catastrophic implications for the economy.

CORPORATE DEVELOPMENTS

From 1 August 2001, Danaharta and the CDRC had a common Chairman. This meant that efforts by both parties could be closely coordinated and a similar approach to borrowers and creditors could be undertaken. In particular, the special powers of Danaharta could be brought to bear to facilitate quicker resolution of CDRC cases where necessary.

To this end the CDRC announced, in August 2001, new guidelines, principles and policies to accelerate resolution and be in line with those of Danaharta.

There were no significant corporate developments for the Danaharta Group during the year other than the change of name for Danaharta Bina Sdn Bhd to Securita ABS One Berhad in connection with the asset backed securitisation exercise described earlier. In addition, Danaharta Ekuiti Sdn Bhd (dormant) changed its name to Danaharta Consultancy Services Sdn Bhd (dormant).

ORGANISATION

Danaharta has 278 staff members. Given the finite-life nature of Danaharta, the organisation was designed to be lean, small (relative to other NPL agencies in the region) and utilises outsourced professional help e.g. from legal and accounting firms.

Danaharta has two principal line activities - loan management undertaken by Operations Group (comprising the Operations Division, Danaharta Urus Sdn Bhd and Danaharta Managers Sdn Bhd) whilst property assets are dealt with by the Property Division and TTDI Development Sdn Bhd. Other Divisions provide support to both line activities e.g. Legal Affairs, Corporate Services, Communications and Human Resource Divisions.

To allow Danaharta to fully interface with the CDRC, a new Division within Danaharta was created in August 2001. Named as Corporate Debt Restructuring Division, this Division assists and liaises with the CDRC Secretariat to facilitate the resolution of CDRC cases still pending completion.

ACKNOWLEDGEMENTS

The Government appointed me to the post of Danaharta Chairman with effect from 1 August 2001. In this regard, I would like to place on record my gratitude to the Government for their faith in me and to my predecessor as Chairman, Raja Tun Mohar Raja Badiozaman, for his guidance and advice during the critical phase of establishing Danaharta. It has been a privilege to have worked with him and I am honoured to have succeeded him. At the same time, I welcome my successor as Managing Director, Abdul Hamidy Hafiz, who had previously served as Danaharta's Director of Operations. I also take this opportunity to wish Mohd Bakke Salleh - our Director of Property success in his new undertakings having been appointed by the Government to head Lembaga Tabung Haji in October 2001.

On behalf of Danaharta, I wish to thank the following for their support and co-operation:

The National Economic Action Council;
Ministry of Finance;
Ministry of Land and Cooperative Development and Land Offices nationwide;
Bank Negara Malaysia;
Securities Commission;
Kuala Lumpur Stock Exchange;
Foreign Investment Committee;
The Corporate Debt Restructuring Committee;
Danamodal Nasional Berhad;
The financial community; and
Government ministries and departments and regulators at both federal and state level.

On the Tender Board (for property collateral tenders), Ahmad Zaini Muhamad representing the Foreign Investment Committee retired and was duly replaced by Zainuddin Abdul Rahman with effect from 28 June 2001. On the Oversight Committee, Mohd Razif Abdul Kadir representing Bank Negara Malaysia replaced Datuk Dr. Awang Adek Hussin with effect from 30 August 2001. The Board records its gratitude to the members of the Tender Board and Oversight Committee for their time and hard work involving Danaharta.

With regard to changes on the Board, Eoghan McMillan retired from the Board having completed his tenure of service on 30 June 2001. Subsequently his place was filled by David Moir with effect from 5 October 2001 whom we warmly welcome to the Board. Tragically, Eoghan McMillan passed away in October 2001 but his contribution and service to Danaharta is very much recognised. However, I note with pleasure that the tenures of all other existing Board members ending during the year were subsequently renewed till 2003. Our Joint Company Secretary, Kamarulzaman Mohd Ariff retired on 1 October 2001 and was duly replaced by Shamsiah Abdul Rahman effective 22 October 2001.

I am very grateful to all the Board members for their commitment, positive attitude and active participation during Board meetings and the various Board committees required by Danaharta's corporate governance policies. The Board is ultimately responsible for the activities of Danaharta and their active involvement is a clear indication of their desire to fulfill their duties in a professional and conscientious manner.

On behalf of the Board, I thank the management and staff of Danaharta for their untiring efforts in coping with all the challenges thus far. Danaharta's final success will indeed depend on them responding positively as they have in the past to new challenges that have yet to come.

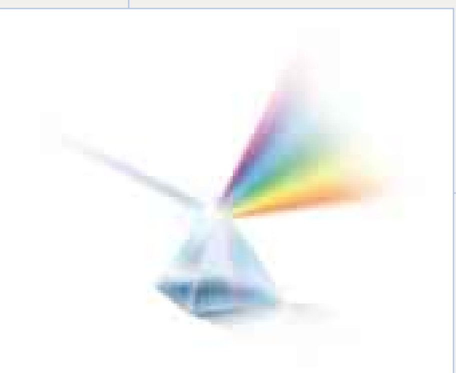
The Board also appreciates the support and services provided to Danaharta by our consultants, advisers and business associates.

Finally, we acknowledge the NPL borrowers who have co-operated with our resolution teams and shown patience and forbearance in coping with their situation.

In closing this year's statement it is my hope that the corporate sector will gain greater resilience and adopt good practices to prepare for an increasingly competitive environment. To this end, both Danaharta and CDRC will do their parts to facilitate the restructuring of corporate Malaysia for the future.

DATO' AZMAN YAHYA
Chairman

R E V I E W O F O P E R A T I O N S



ORGANISATION STRUCTURE

BOARD OF DIRECTORS

- **Managing Director**
- **GM Internal Audit & Compliance**

Managing Director

- **Director Operations**
  - GM1 Operations
    - Unit Heads
  - GM2 Operations
    - Unit Heads
  - AGM Loan Management
    - Unit Head
- GM Communications & Human Resourses
  - Communications
  - Human Resource
  - Security
- GM Risk Management
  - Risk Management
  - Systems & Methods
- GM Finance & Services
  - Finance / Treasury
  - Information Technology
  - Administration
- GM Legal Affairs
  - Advisory
  - Secretarial
- GM Corporate Services
  - Corporate Planning
  - Corporate Finance
  - Research
- **Senior GM Property**
  - Planning & Development
  - Marketing & Sales
  - Technical Services
  - Valuation
  - Property Management
- **Senior GM Corporate Debt Restructuring**
  - Restructuring – CDRC schemes
  - Overseas Accounts

SALIENT STATISTICS AS AT 31 DECEMBER 2001

ACQUISITION

- Total non-performing loans (NPLs) in portfolio – RM47.72 billion (value of Loan Rights Acquired [LRA])

NPLs acquired and managed

	RM billion	No. of accounts
Acquired	19.82	805
Under management	27.90	2,097
Total LRA	**47.72**	**2,902**

	RM billion	No. of accounts
Rejected by FIs	8.03	423
Total evaluated by Danaharta	56.44	3,354
Returned to FIs	0.69	29

Please refer to page 26 for details on NPL acquisition.

PAYMENT

- Total cash and bonds paid for acquired NPLs – RM9.03 billion
- Average discount rate on acquired NPLs – 54.4%

For further details on breakdown of payment for acquired loans please refer to Table 2 on page 26 and full details of bonds issued by Danaharta are available in Table 3 on page 27.

LOAN MANAGEMENT

- Total NPLs dealt with – RM47.69 billion (LRA) or gross value of RM50.94 billion (LRA of RM47.69 billion plus accrued interest of RM3.25 billion)
- Total unresolved NPLs – less than 0.1% of NPL portfolio (LRA) or RM30 million

Please refer to page 28 for details on Loan Management.

RECOVERY

- Total recovery expected – RM28.51 billion
- Expected average recovery rate – 56% (based on gross value of loan outstanding of RM50.94 billion)
- Default rate – 11%.

Salient Statistics

Recovery method	*Adjusted loan outstanding RM billion	^Adjusted expected recovery RM billion	Expected Recovery %
Plain loan restructuring	11.60	8.04	69%
Settlement	6.87	5.19	76%
Scheme of arrangement	9.15	6.95	76%
SA – scheme approved	5.55	2.46	44%
Foreclosure	11.58	3.37	29%
Others (inc. partial resolutions)	4.14	2.50	60%
Legal action	2.05	—	—
	50.94	**28.51**	**56%**

** Comprising total LRA of RM47.69 billion and accrued interest of RM3.25 billion*
^ Assuming zero recovery on defaulted cases as at 31 December 2001.

- Total value of assets recovered – RM15.17 billion (excluding adjustments e.g. interest received on restructured loans)
- Balance of expected recovery – RM13.34 billion.
- Total recovery proceeds for loans under management and surplus recovery for acquired loans distributed to FIs – RM7.98 billion in cash and 36.56 million units of securities.
- Balance of cash recovery, part of which will be used to redeem the Danaharta bonds – RM1.71 billion

Please refer to page 33 for details on NPL recovery.

SALE OF FORECLOSED PROPERTIES

Primary property sales

- Number of primary property tenders held from November 1999 to December 2001 – 5
- Number of properties offered for sale (up to 31 Dec 2001) – 614
- Total indicative value (IV) of total properties offered for sale – RM1.44 billion
- Number of properties sold in primary sales – 357 at average recovery rate of 104% on total IV

Please refer to page 29 for details on primary sales.

Secondary property sales

- Number of properties not sold in primary sales tenders and re-offered in secondary sales – 257
- Total IV of properties re-offered in secondary sales – RM866.73 million
- Number of properties sold in secondary sales – 141 at an average recovery rate of 78% on total IV

Please refer to page 32 for details on secondary sales.

Overall property sales

- 81% of the properties (by number) offered for sale were sold at an average recovery rate of 95% on total IV

Please refer to page 29 for details on property sales.

COMPANIES UNDER SPECIAL ADMINISTRATION

- Number of companies where Special Administrators have been appointed – 113
- Number of companies where Special Administrators have been discharged upon successful restructuring – 22
- Number of companies that are at the stage where workout proposals are being implemented – 18

A full list on the status of companies under Special Administration is available in the Reference Materials section on page 66.

ACQUISITION

As at 31 December 2001, Danaharta had acquired NPLs with an LRA value of RM19.82 billion from financial institutions (FIs) and was managing NPLs of RM27.90 billion from the BBMB Group and Sime Bank Group on behalf of the Government of Malaysia and Bank Negara Malaysia. Details of NPLs taken over are as follows:

Table 1: NPL carve-out

	Total NPLs transferred to Danaharta (LRA value)
1. Primary carve-out, completed on 30 June 1999	RM38.47 billion
2. Secondary carve-out, from 1 July 1999 to 31 March 2000	RM2.71 billion
3. Additional NPLs from the Sime Bank Group and BBMB Group placed under Danaharta's management *(transferred under existing put option agreements between 30 June 1999 and 31 December 2001)*	RM6.54 billion
TOTAL	**RM47.72 billion**

Since 31 December 2000, the total NPLs within Danaharta's portfolio has increased by RM0.23 billion in LRA value. The increase is due to the crystallisation of contingent liabilities in some accounts and the transfer of additional accounts from the BBMB Group to Danaharta under a put option agreement that was entered into with the BBMB Group.

However, the increase was partially offset by:

i. 23 accounts with an LRA value of RM570.5 million that were returned to the FIs as certain conditions contained in the acquisition agreements were not met; and
ii. contingent liabilities relating to accounts under management that were cancelled.

PAYMENT FOR ACQUIRED NPLs

Danaharta paid a total consideration of RM9.03 billion (Table 2) in bonds and cash for the acquired NPLs of RM19.82 billion, representing an average discount of 54.4%# to the loan rights acquired:

Table 2: Payment for acquired NPLs

	RM billion
i. Issue of Danaharta bonds[1]	8.01
ii. Cash[2]	1.02
TOTAL	**9.03**

Notes:
1) *This refers to the present value of the bonds at date of issue. The Government guaranteed bonds have a tenure of 5 years and, in total, carry a face value of RM10.87 billion. No further bonds have been issued since 31 March 2000.*
2) *Cash payments were made mainly for acquisitions of NPLs from development finance institutions, loans extended under the Islamic concept and unsecured loans.*

\# *This figure has been adjusted for the 23 acquired accounts that Danaharta has returned to the seller financial institutions.*

Table 3 below contains a summary of Danaharta bonds issued for acquired loans as at 31 December 2001:

Table 3: Danaharta's bond issues for acquired loans as at 31 December 2001

Date of issue	Face value RM billion	Price for every RM100.00 in face value	Yield	Present value at issue date RM billion	Date of Maturity
20 November 1998	1.022	69.832	7.150%	0.713	31 December 2003
30 December 1998	1.580	72.012	6.672%	1.138	31 December 2003
29 January 1999	1.105	71.301	6.654%	0.788	31 March 2004
26 February 1999	1.242	72.296	6.475%	0.898	31 March 2004
26 March 1999	1.393	72.758	6.445%	1.014	31 March 2004
29 April 1999	1.050	75.584	5.487%	0.793	30 June 2004
27 May 1999	0.511	76.229	5.400%	0.390	30 June 2004
29 June 1999	0.744	76.862	5.330%	0.572	30 June 2004
29 July 1999	0.527	76.223	5.319%	0.402	30 September 2004
26 August 1999	0.204	73.585	6.111%	0.150	30 September 2004
29 October 1999	0.575	76.365	5.283%	0.439	31 December 2004
29 December 1999	0.392	77.363	5.194%	0.303	31 December 2004
31 January 2000	0.162	77.244	5.063%	0.125	31 March 2005
29 February 2000	0.305	77.697	5.025%	0.237	31 March 2005
31 March 2000	0.328	77.494	5.165%	0.255	31 March 2005
Total as at 31 March 2000	**11.140**			**8.217**	
Less adjustments	(0.273)			(0.202)	
Total as at 31 December 2001	**10.867**			**8.015**	

Note: *No bonds were issued in September and November 1999 and after 31 March 2000.*

Balance of cash available for, amongst others, the redemption of Danaharta bonds:

	RM billion
Total cash realised from recovery operations	**9.69**
Less:	
1. Total cash distributed for recovery from loans under management	(7.67)
2. Total cash distributed to financial institutions under surplus sharing arrangement	(0.31)
Balance of cash available for amongst others, the redemption of Danaharta bonds	**1.71**
Total face value of bonds outstanding as at 31 December 2001	**10.87**

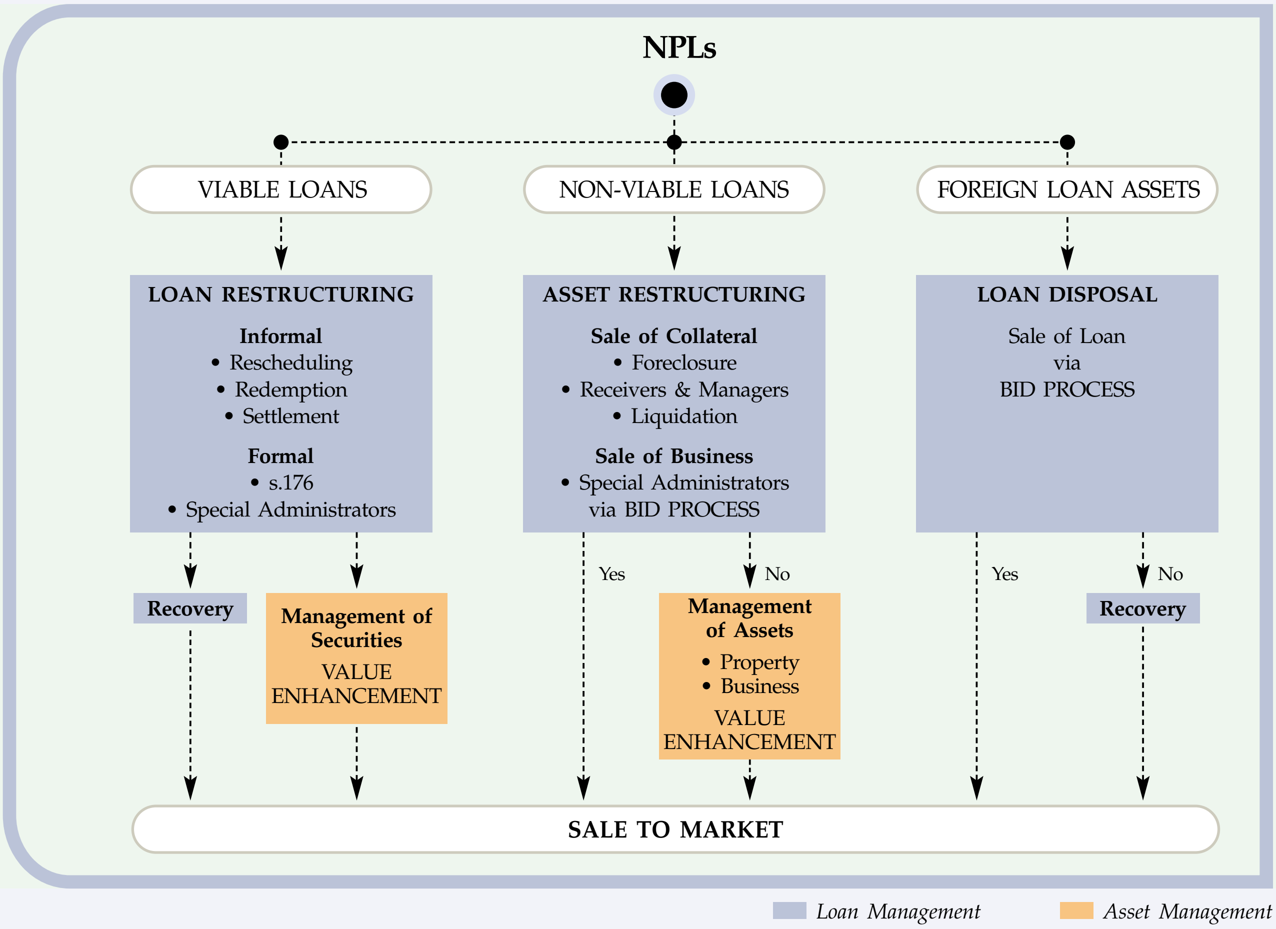
MANAGEMENT AND DISPOSITION

There are two principal components in Danaharta's approach in management and disposition of NPLs:

i. Loan Management – where recovery on NPLs is sought by way of loan restructuring or asset restructuring; and
ii. Asset Management – where NPL recoveries are received in the form of non-cash assets such as securities and property. These assets are then managed with the intention to enhance their respective values and to maximise recovery values when the assets are converted to cash.

This approach is summarised in Diagram 1 below.

Diagram 1: Management and Disposition



LOAN MANAGEMENT

As at 31 December 2001, Danaharta's portfolio of NPLs comprised 2,902 accounts relating to 2,588 borrowers. Danaharta has dealt with NPLs with an LRA value of RM47.69 billion (and a gross value of RM50.94 billion) relating to 2,585 borrowers. It is expected to now focus on implementing approved recovery strategies that have been identified for these NPLs until its targeted closure date of 2005. In respect of the remaining unresolved NPLs of RM30 million which account for less than 0.1% of its portfolio by LRA value, Danaharta targets to resolve these cases in 2002.

Danaharta's loan management efforts, divided into three broad categories: ***Loan Restructuring, Asset Restructuring*** and ***Loan Disposal***, are explained in the following sections.

LOAN RESTRUCTURING – VIABLE LOANS

Viable loans are placed under loan restructuring which allows the borrowers to restructure and rehabilitate their loans in accordance with Danaharta's loan restructuring principles and guidelines. This is also beneficial to Danaharta as loan restructuring generally results in higher recovery rates vis-á-vis other recovery methods. Danaharta employs three methods of loan restructuring – ***Plain Loan Restructuring, Settlement of Loans*** and ***Schemes of Arrangement***. Details of these methods are provided in Diagram 2 on page 31.

ASSET RESTRUCTURING – NON-VIABLE LOANS

Non-viable loans, as well of loans of borrowers who had failed to comply with Danaharta's loan restructuring principles and guidelines, are placed under asset restructuring where Danaharta will recover the debt through the sale of a borrower's business or the underlying collateral of an NPL.

Sale of foreclosed properties

Danaharta may foreclose on property collateral or shares pledged as security for loans. The Pengurusan Danaharta Nasional Berhad Act, 1998 (Danaharta Act) and the Fifteenth Schedule of the National Land Code 1965 (Fifteenth Schedule, NLC) give Danaharta additional rights as a chargee over property collateral. Under Section 57 of the Danaharta Act, Danaharta may sell the underlying property collateral by way of private treaty if a borrower fails to repay his loan within one month of the date of a foreclosure notice from Danaharta requiring him to do so. A private treaty sale includes sale via open tender, private contract or auction. However, it is always Danaharta's preference to sell the property collateral by open tender.

As at 31 December 2001, Danaharta had conducted five property tenders, offering to the market 614 properties with a total indicative value (IV) of RM1.44 billion. Danaharta has sold 498 properties or approximately 81% of the properties that have been offered since the first tender in November 1999, for a total consideration of RM843.52 million (a recovery of approximately 95% on total IV). Of these, 357 properties (RM593.34 million) were sold in primary sales (sale of foreclosed properties) and 141 properties (RM250.18 million) in secondary sales (sale of properties under the beneficial ownership of Danaharta Hartanah Sdn Bhd, a property management subsidiary of Danaharta, made after a tender period or in between tenders).

Results of the primary sales are summarised in the following table:

Table 4: Results of primary sales as at 31 December 2001

Status of properties under primary sales	Number of properties	Indicative value (IV) (RM million)	Consideration received (C) (RM million)	C/IV %
Sold to successful bidders in tenders	357*	568.35	593.34	104%
Unsold in tenders, including those transferred to Danaharta Hartanah Sdn Bhd for secondary sales	256	865.23	n/a	n/a
Unsold in tenders, belonging to Jalur Realty Sdn Bhd	1	1.50	n/a	n/a
Total offered to the market as at 31 December 2001	**614**	**1,435.08**		

Note:
Indicative values are market values of properties provided by independent property valuers, which take into consideration the current market conditions.

****** Includes 12 properties belonging to Jalur Realty Sdn Bhd, a property management company which was previously part of the Sime Bank Group. The 12 properties have a total indicative value of RM14.8 million and were sold for a total consideration of RM15.47 million. The sale of Jalur Realty properties formed part of the resolution of the Sime Bank Group.***

For properties that are unsold in primary sales, Danaharta Hartanah will come in as the buyer of last resort. Danaharta Hartanah will then continue marketing and selling the properties through various means. Details on the recovery process under secondary sales conducted by Danaharta Hartanah are elaborated on page 32.

Sale of Hotel and Leisure Properties

As a part of Danaharta's industry-specific NPL resolution initiatives, 11 hotels have been offered for sale. Three of the 11 hotels were foreclosed hotels offered by Danaharta, and the remaining eight hotels were offered by the Special Administrators of seven companies.

As at 31 December 2001, eight hotels had been sold for a total consideration of RM111.98 million. The remaining three hotels are currently being managed by Special Administrators. These hotels will be offered to the market through various avenues, including tenders for interested investors, sale by way of private treaty, appointment of real estate agents to market specific assets and structured deals.

Special Administrators

Under the Danaharta Act, Danaharta can appoint Special Administrators over a corporate borrower if the borrower is unable to pay its debts or fulfill its obligations. The Special Administrators appointed will assume temporary control and management of the assets and affairs of the corporate borrower. Taking into consideration the interests of all stakeholders (including both secured and unsecured creditors as well as shareholders), the Special Administrators will then prepare a workout proposal aimed at maximising the recovery value of the business.

As at 19 February 2002, Danaharta had appointed Special Administrators over 61 groups of companies (or 113 companies). Special Administrators of 19 groups of companies (or 22 companies) have been discharged upon successful implementation of the workout proposals while 42 groups of companies (or 91 companies) are still at various stages of special administration. NPL resolution of companies under special administration ***("SA-Scheme approved")*** showed an expected recovery rate of 44%. A complete list on the status of companies under Special Administration can be found in the Reference Materials section from pages 66-79.

DISPOSAL OF NPLs

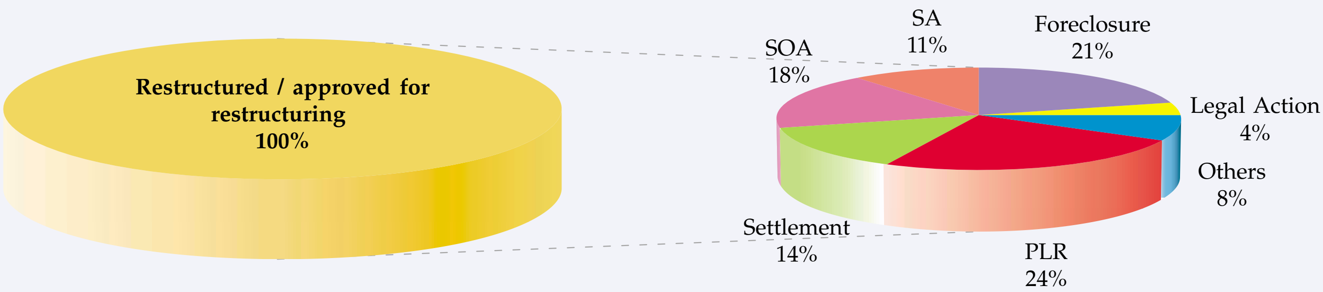
Danaharta only disposes of foreign loan assets, i.e. non-Ringgit loans and marketable securities extended to foreign borrowers or issued by foreign lenders. This is because the agency's special legal powers do not extend beyond Malaysian jurisdiction, meaning that Danaharta has little or no competitive advantage vis-á-vis a third party buyer in dealing with the foreign loan assets.

As at 31 December 2001, Danaharta had completed three Restricted Tender Exercises to dispose of foreign loan assets in its portfolio, achieving an average loan recovery rate of 65%.

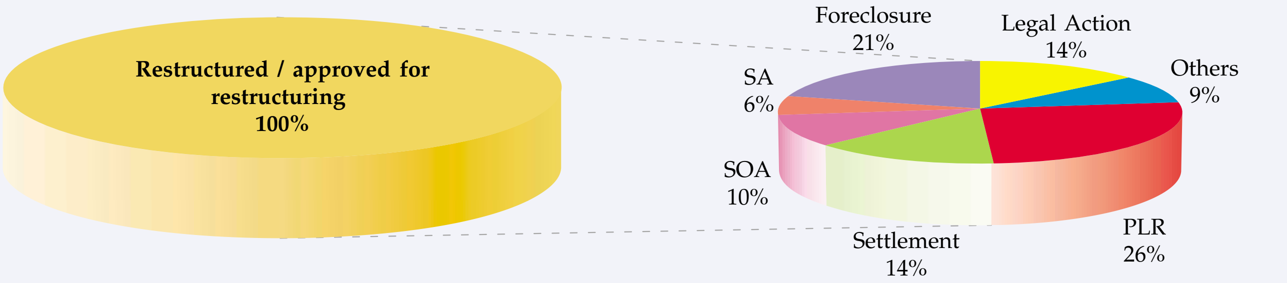
LOAN MANAGEMENT STATISTICS

Details of Danaharta's progress in initiating recovery measures as at 31 December 2001 are presented in Diagram 2.

Diagram 2: Loan management progress as at 31 December 2001



RM47.72 billion



2,588 borrowers

Note:
As at 31 December 2001, NPLs with an LRA value of RM30 million relating to three borrowers remain unresolved. This accounts for less than 0.1% of NPLs by LRA value and less than 0.2% of NPLs by number of borrowers.

Legend	Description	Expected Recovery Rate
PLR	Plain Loan Restructuring, which may include rescheduled loans, partial cash settlement or asset disposal.	69%
Settlement	Refers to cases where loans are disposed outright, or full and final settlement has been agreed upon and payment has been received or is pending.	76%
SOA	Schemes of Arrangement under section 176 of the Companies Act 1965, a voluntary scheme of arrangement or a scheme under the Corporate Debt Restructuring Committee.	76%
SA	Special Administrator schemes.	44%

Legend	Description	Expected Recovery Rate
Foreclosure	Foreclosure of property under section 57 of the Pengurusan Danaharta Nasional Berhad Act 1998, and foreclosure of share collateral.	29%
Others	Refers to cases of partial resolution, involving primarily redemption of collateral to reduce the amount outstanding pending final resolution.	60%
Legal action	Refers mainly to accounts where all other recovery methods have been exhausted.	0%

ASSET MANAGEMENT

Non-cash assets such as securities and properties which arise from Danaharta's recovery activities e.g. offered as settlement by borrowers, are transferred to Asset Management to enhance, where possible, the realisable value of the assets. Recovery will then be sought through the management and eventual disposal of these assets.

MANAGEMENT OF SECURITIES

As at 31 December 2001, Danaharta had within its portfolio, securities with an estimated value of RM1.68 billion, as a result of its recovery operations. These securities comprise shares as well as redeemable, irredeemable and convertible securities; 82% of which are not listed. All the securities will be realised into cash based on Danaharta's approach governing the management of securities.

PROPERTIES (SECONDARY SALES)

Properties that do not attract bids above the minimum price set by Danaharta in each property tender are transferred to Danaharta Hartanah via an automatic bid mechanism. These unsold properties are then re-offered to the market in secondary sales, by way of sale by private contracts (direct negotiation between Danaharta Hartanah and a prospective buyer) or by offering the properties in subsequent tenders, together with other newly foreclosed properties.

As at 31 December 2001, 257 properties with a total IV of RM866.73 million that were not sold in primary tenders, were re-offered to the market. Out of these properties, 141 were eventually sold via private contract sales and Danaharta's subsequent property tenders for a total consideration of RM250.18 million, representing an average recovery rate of 78% of total IV of the properties sold. Details of the secondary sales are provided in Table 5.

Table 5: Results of secondary sales as at 31 December 2001

Status of properties under secondary sales	Number of properties	Indicative value (IV) (RM million)	Consideration received (C) (RM million)	C/IV %
Re-offered and sold via private contract	97	200.12	153.55	77%
Re-offered and sold in subsequent Danaharta property tenders	44	120.34	96.63	80%
Sub-total of properties sold	**141**	**320.46**	**250.18**	**78%**
Withdrawn from sale	3	6.51	n/a	n/a
Available for sale as at 31 December 2001	113*	539.76	n/a	n/a
Total re-offered to the market	**257**	**866.73**		

Note:
** Includes 4 properties which had received successful bids in previous tenders but transactions were not completed, 2 properties awaiting transfer to Danaharta Hartanah pending resolution of legal issues and one property owned by Jalur Realty Sdn Bhd.*

DETAILS OF RECOVERY

In the course of its recovery operations, Danaharta receives recovery in the form of the following asset groups:

1. **Cash,** generated from the sale of collateral and foreign loan assets, collections from restructured NPLs and cash settlements.

2. **Restructured loans,** made up of restructured or rehabilitated NPLs.

3. **Securities**, comprising all types of securities e.g., shares or loan stocks that have been issued as part of settlement under restructuring schemes. *(Note that this does not refer to share collateral.)*

4. **Properties**, including properties that were unsold in property tenders and transferred to Danaharta Hartanah, and those offered and accepted as full or partial settlement for NPLs i.e. set-off properties. *(Note that this does not refer to property collateral that has not been foreclosed.)*

As at 31 December 2001, Danaharta expects to recover RM28.51 billion (excluding defaulted loans of RM3.52 billion). Danaharta had already received RM15.17 billion, in the form of the four asset groups, of which RM9.69 billion has been converted into cash (including adjustments of RM0.94 billion).

An increase in default rates of restructured loans is expected, as Danaharta gradually progresses to manage loans that are more complex and of higher value. The overall default rate increased from 6% in year 2000 to 11% in the period under review.

The balance of the expected recovery proceeds amounting to RM13.34 billion will be received over time i.e. pending implementation of the respective recovery strategy. A summary of the recovery proceeds by asset group is provided in the following table:

Table 6: Analysis of recovery proceeds by asset groups as at 31 December 2001

Asset group (RM billion)	**Expected recovery# (a)**	**Pending implementation (b)**	**Defaulted (c)**	**Recovery received (d = a - b - c)**	**Stock valued as at 31 December 2001 (e)**	**Realised in cash as at 31 December 2001 (f = d - e)**
Cash	12.30	5.91	0.68	5.71	—	5.71
Restructured loans	13.43	3.81	2.59	7.03	4.37	2.66
Securities	5.05	3.02	0.25	1.78	1.68	0.10
Properties	1.25	0.60	—	0.65	0.37	0.28
Total	**32.03**	**13.34**	**3.52**	**15.17**	**6.42**	**8.75**

Reconciliation of Table 6 to the total cash received is as follows:

	RM billion
Cash from recovery proceeds (see Table 6)	8.75
Adjustments:	
Including, amongst others, interest received on restructured loans, gains or losses on sale of foreclosed collateral and securities.	0.94
TOTAL CASH RECEIVED	**9.69**

Notes:
 # Expected recovery does not include interest or adjustments due to gain or loss arising from the recovery process.

The amount recovered includes those from the BBMB Group and Sime Bank Group loans under management, as well as surplus recoveries on acquired loans. See table 7 on page 35 for details of distribution.

Securitisation of performing loans

On 20 November 2001, Danaharta launched its inaugural issue of asset backed securities (ABS) by securitising a portion of its portfolio of successfully restructured loans. Funds raised from this issue and future issues will help to enhance the cash collection of Danaharta so as to be well placed to redeem Danaharta bonds as and when they mature, and to satisfy its operational needs. The securitisation exercise is in the line with Danaharta's targeted operational winding-down by 2005.

The ABS issue comprised RM310 million AAA-rated Senior Notes and RM285.4 million subordinated notes issued via a special purpose vehicle, Securita ABS One Berhad (Securita). The securities are backed by approximately RM595 million performing loans and cash transferred to Securita by Danaharta Group companies.

This ABS issue of the Collateralised Loan Obligation (CLO) is the first of its kind in Malaysia and was oversubscribed by 3.5 times with orders amounting over RM1.0 billion. Further information on the transaction is provided in the Feature Articles section on page 49.

DISTRIBUTION OF RECOVERY PROCEEDS

As at 31 December 2001, Danaharta had distributed, on a cumulative basis, recovery proceeds of RM7.98 billion in cash and 36,559,542 units of securities at par value to financial institutions. The details are as follows:

Table 7: Distribution of recovery proceeds

1.	**Recovery proceeds for loans under management**		**Cash (RM)**	**Securities (units)**
	NPLs of the Bank Bumiputra Malaysia Berhad Group and the Sime Bank Berhad Group		7,665,395,326	—
	Sub-total		**7,665,395,326**	**—**
2.	**Recipients of surplus recovery for acquired loans**	**No of accounts**	**Cash (RM)**	**Securities (units)**
(a)	Arab Malaysian Bank Bhd	2	1,128,137	—
(b)	Aseambankers Malaysia Berhad	1	328,582	*3,968,319
(c)	Arab Malaysian Finance Berhad	1	1,575,688	—
(d)	Bank Bumiputra (M) Bhd#	7	55,460,625	—
(e)	Bank Industri Malaysia Bhd	1	480,082	—
(f)	Bank Islam Berhad	1	86,509	—
(g)	Bank Of Commerce (M) Berhad	2	49,389,810	—
(h)	BSN Merchant Bank Berhad	1	210,831	—
(i)	Hong Leong Bank Berhad	3	845,006	^1,994,397
(j)	Hongkong Bank (M) Berhad	1	142,915	*1,730,284
(k)	Malaysian International Merchant Bankers Bhd	4	14,815,462	*7,950,567
(l)	Mayban Finance Berhad	1	3,518,007	—
(m)	Maybank Berhad	3	30,401,076	—
(n)	MBf Finance Berhad	3	19,125,467	—
(o)	OCBC Bank (Malaysia) Berhad	1	148,899	—
(p)	Oriental Bank Berhad	6	12,425,960	^2,642,648
(q)	Perwira Affin Bank Berhad	1	38,000	^2,427,982
(r)	Perwira Affin Merchant Bank Berhad	1	143,782	—
(s)	RHB Bank Berhad	3	56,491,392	*7,907,820
(t)	RHB Sakura Merchant Bankers Berhad	3	10,649,065	*3,986,502
(u)	Sabah Bank Berhad	1	270,137	—
(v)	Sabah Development Bank Berhad	1	4,705,934	—
(w)	Southern Bank Berhad	2	2,231,983	*3,951,023
(x)	The Pacific Bank Berhad	4	48,011,912	—
	Sub-total	**54**	**312,625,260**	**36,559,542**
	TOTAL DISTRIBUTED		**7,978,020,586**	**36,559,542**

Notes:
The amounts shown in Table 7 are net of Danaharta's fees.

\# *Relates to loans acquired at discounted prices by Danaharta prior to the arrangement for Danaharta to manage the BBMB Group NPL portfolio. Payment was made to Danaharta Urus Sdn Bhd as the manager of BBMB group NPLs.*

* *Payment in ordinary Arab-Malaysian Corporation Berhad shares with a par value of RM1.00 per share.*

^ *Payment in Ho Wah Genting Berhad RCULS with a par value of RM1.00 per RCULS.*

NPLs, acquired by Danaharta were purchased at an average discount of 54.4%. Therefore, the difference between the outstanding loan amount and the acquisition price would have led to the selling FIs suffering shortfalls. However, where Danaharta recovers over and above the total cost incurred in acquiring, holding and recovering the loans, it will share the surplus recovery with the selling FI.

Typically, the surplus is shared on an 80(selling FI): 20(Danaharta) basis and the amount receivable by the selling FI is capped at the shortfall value. Once Danaharta has realised its acquisition costs (plus holding costs) in cash, it will distribute the surplus recovery to the FI in the form of cash and securities.

For the NPLs from the BBMB Group and the Sime Bank Group under the management of Danaharta Urus Sdn Bhd and Danaharta Managers Sdn Bhd (both wholly-owned subsidiaries of Danaharta) respectively, fees are charged as follows:

(a) If net recovery value is less than or equals net book value, Danaharta Urus/Danaharta Managers receives 2% of the net recovery value.
(b) If net recovery value exceeds net book value, Danaharta Urus/Danaharta Managers receives 2% of the net book value and 20% of the excess.

After accounting for the total recovery proceeds that have been distributed, Danaharta has a balance of RM1.71 billion in cash recovery, part of which would contribute to the redemption of the Danaharta bonds that were issued to acquire the NPLs. The first tranche of Danaharta bonds will mature on 31 December 2003. Details of the bond issues and amount available to redeem the bonds are provided in Table 3 on page 27.

LINE DIVISIONS

The Operations Group, Property Division and Corporate Debt Restructuring Division constitute the Line Divisions within Danaharta. A summary of their functions is as follows:

OPERATIONS GROUP

Pursuant to a reorganisation, the Operations Group (the Group) comprises an amalgamation of three entities i.e. the Operations Division of Pengurusan Danaharta Nasional Berhad (Danaharta), Danaharta Urus Sdn Bhd (DUSB) and Danaharta Managers Sdn Bhd (DMSB). Prior to the reorganization, the responsibilities between each entity were clearly divided according to the NPLs accounts that they managed. DMSB was responsible for the NPL accounts from the Sime Bank Group, while DUSB was managing the accounts from the BBMB Group. The Operations Division of Danaharta, on the other hand, handled the NPL accounts acquired from other financial institutions. Pursuant to the reorganisation, the newly formed Operations Group now manages all the NPL accounts in the Danaharta Group irrespective of their origination. Internally, the Operations Group is divided into various units by job function such as liasing with Special Administrators, managing legal actions, carrying out Section 57 foreclosures and etc. The reorganisation exercise facilitates the Group's personnel to specialise on their assigned job functions. This helps to increase productivity and eliminate duplication of tasks.

Having dealt with almost all of the NPLs under Danaharta's portfolio, the Operations Group's emphasis has now shifted to the implementation of recovery measures that have been identified for each account, the monitoring of performing loans to ensure timely repayment and its collection efforts to maximise recovery.

As part of the reorganisation, a Loan Management Unit comprising the existing Credit Administration Unit and a new sub-section focusing on insurance-related matters was set up to provide effective support to front line staff. The unit's responsibilities, amongst others, include the following:-

i. Monitoring of repayment and collection,
ii. Conducting credit reviews on performing loans,
iii. Administrative aspects of loan management,
iv. Administrative aspects of insurance-related matters,
v. Undertaking the servicing responsibilities in respect of assets sold and transferred to Securita ABS One Berhad (Securita) i.e. the Special Purpose Vehicle (SPV) established for the purpose of asset securitization.

PROPERTY DIVISION

The Property Division provides advisory services to the Operations Group on property-related issues such as feasibility of projects and valuation of property collateral. The Division also manages property collateral under Danaharta's portfolio and facilitates foreclosure of property collateral. In this regard, the Division helps to manage the disposal of the property collateral and the transfer process. Danaharta's sales of properties are not limited to the primary sales, i.e. property tenders alone. Properties that are not cleared through the primary sales are re-offered to the market via secondary sales (private contract sales).

CORPORATE DEBT RESTRUCTURING DIVISION

The Corporate Debt Restructuring Division (CDRD) was formed in August 2001 to support the Corporate Debt Restructuring Committee (CDRC) in its role of facilitating the restructuring of large corporate debts in Malaysia, pursuant to the appointment of Dato' Azman Yahya as Chairman of both CDRC and Danaharta.

The principal functions of the CDRD have been formulated to be in line with the implementation of key initiatives and changes to the framework and approach of CDRC, all aimed at accelerating the restructuring efforts in Malaysia within a definitive timeline.

In line with the revised framework, CDRD has been structured to cater specifically to the following:-

- Evaluate applications to determine their viability under the new criteria for admission.
- Facilitate the formation and chair the Creditors' Steering Committee.
- Negotiate with borrowers and creditors in evaluating and determining an appropriate workout.
- Convene regular meetings to review progress and determine follow-up action.
- Liaise with and guide consultants on acceptability or otherwise of their proposals.
- Assist in liasing with and obtaining approvals from relevant regulatory authorities.
- Issuance of comprehensive reports and disclosure on the progress of restructuring efforts by CDRC.

The CDRD differs from the Operations Group of Danaharta in that it emphasizes on achieving workouts through mediation involving both lenders and borrowers. Accordingly, the criteria for acceptance by CDRC has been redefined to determine the borrower's operational and financial viability prior to acceptance.

As at 31 December 2001, the accounts managed by CDRD comprises 29 groups with a total debt value of RM25.64 billion.

SUPPORT DIVISIONS

CORPORATE SERVICES

The Corporate Services Division comprises three units, namely Corporate Planning, Corporate Finance and Research.

Corporate Planning Unit

The Corporate Planning Unit completed the review and update of the 4-year business plan and budget for the Danaharta Group during the year. The Unit also improved the reporting and budgetary process, focusing on cash flow management and created a more stringent post-implementation monitoring system.

Corporate Finance Unit

During the year, the Corporate Finance Unit actively supported various key areas of Danaharta's operations and also executed several special projects. For example, the Unit was involved in:

- Successfully implementing the first securitisation exercise involving collaterised loan obligations (a type of asset backed securities)
- Evaluating and negotiating workout proposals submitted by corporate borrowers, in particular those submitted by public listed companies and involving the issuance of marketable securities.
- Formulating strategies to manage marketable securities received as settlement of debt via workout proposals or received via foreclosure of loan collateral. In this regard, the Unit conducted valuations of marketable securities for disposal purposes, in conjunction with the Research Unit.
- Assisting in the disposal of businesses and/or assets of companies to which Special Administrators had been appointed.

Research Unit

During the year, the Research Unit continued to monitor macroeconomic and equity market developments, both locally and internationally, which have a bearing on the restructuring and disposal efforts of the Danaharta Group. In addition, microanalyses was conducted on various sectors, e.g. property and manufacturing, and on companies in which the Danaharta Group would have an interest by reason of its activities.

The Unit was also involved in the management and monitoring of marketable securities within Danaharta's portfolio in conjunction with Corporate Finance Unit.

RISK MANAGEMENT DIVISION

The Risk Management Division works closely with the line divisions as well as various board and management committees to manage Danaharta's exposure to all types of risk arising from its activities and as part of the strategic planning process.

Risk Management Unit

Danaharta's Risk Management Unit provides general risk advisory support services on all aspects of Danaharta's operations. Areas of support include credit, market, operational and legal risks, as well as other non-tangibles such as reputational risk.

One of the core functions of this Unit lies in its independent review of loan management, asset management and other project papers to ensure conformity and consistency in the application of Danaharta's policies and procedures throughout the Danaharta Group. In the process, the unit also highlights and mitigates pertinent risk issues.

Danaharta's Risk Management Unit is guided by the following (non-exhaustive) principles:

- Independent of business units;
- Corporate governance best practice recommendations;
- The need to continuously evaluate risk appetite; and
- The need to keep risk management processes and policies up to date.

Systems & Methods Unit

The prime responsibility of the Systems and Methods Unit lies in the formulation of practical and effective procedures within the Danaharta Group. When drafting these procedures, particular care is taken to ensure that the conduct of business set out is in line with the company's policies and objectives and best practices. Procedures are also drafted to be in compliance with the spirit of the Malaysian Code of Corporate Governance.

Careful consideration is given in ensuring that management control, legal and regulatory requirements are not compromised and are supported with sufficient research and relevant statistics.

In addition, this unit is instrumental in co-ordinating the organisation's business process improvement and rationalisation exercise. This is to ensure that Danaharta's operating procedures remain contemporary, efficient and applicable throughout Danaharta's evolution.

Finally, the Unit also acts as the custodian for Danaharta's policies and procedures and the control point for their dissemination.

FINANCE AND SERVICES DIVISION

The Finance and Services Division comprises the following Units:

Finance and Treasury Unit

The Finance and Treasury Unit is responsible for all aspects of Danaharta's accounting, financial management and treasury work. Monthly management reports are prepared in which the results of loan acquisitions, loan and asset management and asset disposals are reported and compared to forecasts.

The Unit had also been responsible for issuing Danaharta's government-guaranteed bonds to financial institutions for NPL acquisitions.

Information Technology (IT) Unit

The IT Unit is responsible for all IT systems development, maintenance and operations. Danaharta relies on IT to help compensate for its relatively small staff strength. IT is an important part of Danaharta's strategy to deal with its NPL portfolio in an efficient and timely manner.

Administration Unit

This Unit is responsible for office administration matters necessary to support the various Divisions of Danaharta.

COMMUNICATIONS AND HUMAN RESOURCE DIVISION

The Communications and Human Resource Division comprises the following Units:

Communications Unit

The Communications Unit's activities cover all aspects of public and investor relations, advertising and event management. Given Danaharta's strong commitment to transparency in its operations, the Communications Unit continues in its role as the official channel via which Danaharta updates all interested parties on its objectives and activities in a timely manner. It is also responsible for responding to queries from the public, Parliament, media and industry analysts.

This year, the Unit was responsible for the public relations accompanying the launch of Danaharta's inaugural asset securitisation exercise. The Unit also completed its nation-wide tour (in conjunction with the Legal Advisory Unit) to brief land administrators on Danaharta's vesting procedures and transfer of properties. Throughout the year, the Unit continued to be involved in briefings to media, local and foreign analysts and fund managers, supra-national organisations and various professional and trade associations. Internally, the Unit was also involved in the marketing and advertising efforts related to the national property tenders and specific tenders.

The Communications Unit is also responsible for all publications by Danaharta such as the half-yearly Operations Report and the Annual Report.

With the appointment of Dato' Azman Yahya as the Chairman of CDRC, the Communications Unit also provided public relations support to the CDRC.

Human Resource Unit

The Human Resource Unit is responsible for all human resource management needs of Danaharta including recruitment, human resource development and personnel administration. It also organises staff briefings on a regular basis on a variety of human resource issues. Danaharta places great importance on managing its human resources given the size and complexity of its mission.

Danaharta's total employee strength grew marginally from 267 as at the end of 2000 to 278 by the end of 2001.

Professional Staff Statistics as at 31 December 2001

Qualifications	**Percentage (%)**
Master's Degree/Professional Qualification	31
Bachelor's Degree	57
Diploma	8
SPM	4

Career Background	**Percentage (%)**
Local Banks	49
Foreign Banks	9
Multinationals/International firms	11
Local firms	25
Others	6

Working Experience	Percentage (%)
More than 3 years	100
More than 5 years	96
More than 10 years	55
More than 15 years	28

Age	Percentage (%)
More than 25 years	100
More than 30 years	82
More than 35 years	51
More than 40 years	27

Gender	Percentage (%)
Male	62
Female	38

Security Unit

The Security Unit, which comprises a team of 14 members, is responsible for security-related matters including overseeing the security of Danaharta's premises.

LEGAL AFFAIRS DIVISION

The Legal Affairs Division comprises the following units:

Legal Advisory Unit

The Legal Advisory Unit provides legal support services to line divisions and Danaharta Group companies. This includes legal advice on loan acquisitions, loan management and asset management matters.

During the year, the Unit continued to support the Operations Group in loan restructuring and workout proposals and, in particular, ensuring that the amendments introduced by the Pengurusan Danaharta Nasional Berhad (Amendment) Act 2000 and consequential amendments to the National Land Code (Fifteenth Schedule) were implemented as intended.

In October 2001 the Unit completed the last of its nationwide briefings to land administrators (which began in November 2000) on Danaharta and the laws that govern its dealings on land.

Increasingly, more time and resources were spent on supporting the needs of the Property Division as the property sales program intensified. As Danaharta moves further into the management phase of its life cycle, this focus on property transactions is expected to increase.

In 2001, the Unit also played an active role in supporting the Corporate Services Division in launching Danaharta's first asset securitisation exercise.

Secretarial Unit

The Secretarial Unit undertakes company secretarial services. It maintains the Group's statutory books and records and ensures compliance with relevant laws and policies and procedures relating to meetings of the Board and Board committees as well as management meetings.

During the year the Unit increasingly provided company secretarial support to other Danaharta Group companies such as TTDI Development Sdn Bhd, to ensure consistency in company secretarial policies and procedures within the Danaharta Group.

The Unit also acts as the secretariat to the Oversight Committee and the Tender Board.

INTERNAL AUDIT & COMPLIANCE DIVISION

The Internal Audit & Compliance Division assists the Audit Committee in discharging their oversight responsibility to ensure a sound system of internal control that helps safeguard shareholder's (government's) interest and Danaharta's assets. The Division conducts independent appraisals on Danaharta's (including its subsidiaries) operations and support activities to provide reasonable assurance on the adequacy and integrity of the risk control systems.

The Division performed audits in accordance with Danaharta's 2001 risk-based internal audit plans, that focus on the key activities and major risk areas. During the year, 22 audits were completed covering most of Danaharta's key business operations and support activities. Both Management and Audit Committee monitored and followed up on the progress of the agreed actions to ensure timely completion. The Division provided advice and support on internal controls to line divisions in the development or revision of policies and procedures for specific projects.

Some of the other activities performed by the Division were:

- Organizing and providing facilitation for the Control Self-Assessment workshops;
- Conducting a full operational review of TTDI, against Danaharta's expected risk management and control standards and plans established to address any gap;
- Reviewing Danaharta's policies and procedures manuals;
- Acting as independent observers in the opening of tenders for sales of company, business, property and securities;
- Conducting investigations into any misconduct or breach of Danaharta's Standard of Business Conduct.

As part of Danaharta's *Control Self Assessment (CSA) implementation programme*, the Division conducted 8 facilitated workshops. These workshops provided a forum for staff to assess the extent to which the business objectives are achieved and the effective implementation of the controls. Employees, who participated, have better understanding of the organization's business objectives, how activities relate to each other and are able to analyse and report on risks and controls. Ultimately this has raised the risk and control consciousness in Danaharta.

The Division also helped to coordinate Management's representations and sign-off on the state of internal controls for their respective areas of responsibility. The "tone at the top", a key component of control environment is set by Danaharta's Standards of Business Conduct (SBC) policy (based on international best practice). The Division assists Management and the Board of Directors in ensuring there is compliance with the SBC through conducting briefings to new staff on Danaharta's business principles and code of conduct and behavior, administering the annual declaration of independence as well as financial disclosures and the pre-clearance for buying and selling of stocks/shares.

RESTRUCTURING CASE STUDIES

DAMANSARA INDAH SDN BHD

Damansara Indah Sdn Bhd (DISB) is an investment holding company and a property developer. In 1995, it undertook the development of the CP Tower, a 22-storey office building and the Eastin Hotel an international business class 388-room hotel, both located along Jalan Damansara within the enclave of Section 16, Petaling Jaya. Two separate consortiums of lenders financed the two projects.

CP Tower was completed in November 1997 and the Eastin Hotel commenced operations in June 1998. Unfortunately, their commencement coincided with the economic downturn which was a result of the Asian Financial Crisis. DISB was unable to generate sufficient cashflow from both the CP Tower and the Eastin Hotel to meet its financial obligations and thus defaulted on its loans.

In May 1999, Danaharta acquired the two syndicated loans from DISB's lenders. As the two properties are quality assets and have the potential to generate favourable cashflow, Danaharta had agreed to restructure the acquired syndicated loans. The repayment terms were essentially tailored to match the projected cash flow generations from the operations of the CP Tower and the Eastin Hotel. Both syndicated loans were restructured in accordance with Danaharta's loan restructuring principles and guidelines.

The restructuring of the syndicated loans allowed DISB to retain the ownership of the two properties and to continue managing the CP Tower and the Eastin Hotel. Presently, the CP Tower is almost fully tenanted and the tenants comprise mainly large corporations and multinational companies. The Eastin Hotel, on the other hand, is enjoying an above average occupancy rate. The improved situation has enabled DISB to meet its loan obligations to Danaharta to date.

ARAB-MALAYSIAN CORPORATION BERHAD

Arab-Malaysian Corporation Berhad (Amcorp) is listed on the Main Board of the Kuala Lumpur Stock Exchange. Its principal business is that of an investment holding company with its subsidiary and associated companies involved in financial services and property and infrastructure development.

During the Asian Financial Crisis, the heavily indebted Amcorp obtained a Restraining Order under Section 176 (10) of the Companies Act, 1965 in July 1998 to seek protection from its creditors. Danaharta became one of Amcorp's creditors when it acquired some of the company's loans from the previous lenders. Together with other financial institution creditors, Danaharta assisted Amcorp to formulate a composite Scheme of Arrangement (SOA), in accordance with Danaharta's loan restructuring principles and guidelines. The main features of the SOA include a debt restructuring scheme and a proposed offer for sale exercise. The SOA allowed Amcorp time to properly dispose of some of its assets to pare down its debts, and gave the company a chance to restructure and settle its loan. Consequently, creditors will be able to receive full recovery under the SOA as opposed to a partial recovery had Amcorp been liquidated.

Under the SOA, the secured creditors were accorded a full settlement via a combination of cash and loan stocks, as well as restructured term loans whereas the unsecured creditors would be repaid in the form of new Amcorp shares.

On 31 January 2000, the SOA was approved by the scheme creditors and subsequently by the shareholders and the regulatory authorities. Amcorp received the sanction from the High Court for its SOA on 14 December 2000 and thereafter proceeded to implement the SOA on 20 March 2001.

With the successful implementation of the SOA, Amcorp was able to reduce its bank borrowings substantially, from RM1,328.2 million as at 31 March 2000 to RM411.5 million as at 31 March 2001, and hence alleviate its heavy loan servicing burden. At the same time, Amcorp is able to retain its core investments in the financial services and property and infrastructure development.

Restructuring Case Studies and Post Balance Sheet Review

TERAMAJU SDN BHD

Teramaju Sdn Bhd (Teramaju) is a manufacturer of veneer and plywood and has a factory in Pahang.

Amidst a depressed plywood market coupled with high gearing and a heavy interest servicing burden, Teramaju defaulted on its loan obligations in 1998. One of its lenders recalled its credit facilities and placed the company under a Receiver and Manager in September 1998. Subsequently, the lender sold Teramaju's loans to Danaharta in December 1998.

After several rounds of unsuccessful negotiations with the borrower, Danaharta then appointed Special Administrators (SAs) to assume management control of Teramaju in April 1999 pursuant to Section 24 of Danaharta Act 1998. The purpose of the appointment of the SAs was to formulate a workout proposal to address Teramaju's debt problems. The SAs also assisted Teramaju in resuscitating its financial health with a view to sustaining the company as a going concern which would benefit all stakeholders including its financial institution creditors and shareholders.

The SAs' workout proposal was then reviewed by an Independent Advisor, who opined that the workout proposal was reasonable to all stakeholders concerned. The secured creditor subsequently approved the workout proposal for Teramaju in December 1999. The workout proposal essentially involved a haircut by the unsecured financial institution creditors and a waiver of the advances to Teramaju by its shareholders. Nevertheless, the financial institution creditors were able to recover between 75% and 100% under the workout proposal as compared with an estimated recovery rate of only 50%, had the company been liquidated. As for the shareholders, they were able to retain ownership and control of Teramaju.

Following the implementation of the workout proposal, which was binding on all stakeholders concerned, the SAs were discharged from their appointment in January 2000. A Monitoring Accountant was appointed for an initial period of six months to monitor and review the operating performance of the company and the Monitoring Accountant has since been discharged.

Teramaju is currently still operating its veneer and plywood factory. It has, to date, been able to meet its loan repayments and interest servicing on time.

POST BALANCE SHEET REVIEW

PRIMARY SALES

Sale of 25 lots of shop offices in Bandar Tasik Selatan via specific tender

Danaharta successfully sold 25 units of six-storey shop offices in Bandar Tasik Selatan, Kuala Lumpur via a specific tender. The properties were sold for a total consideration of RM25.53 million, which represents a 95% recovery over the total indicative value (IV) of the properties.

Five remaining units were subsequently sold via private contract post tender.

Launch of sixth nation-wide property tender

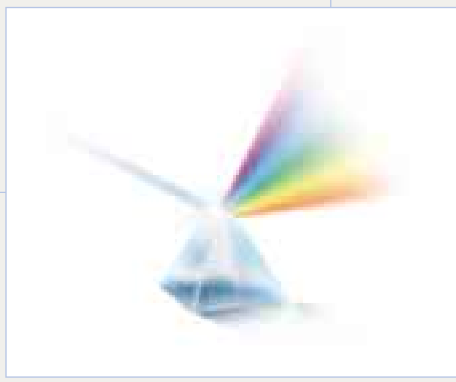
Danaharta held its nation-wide sixth property tender on 1 April 2002. The tender which will end on 2 May 2002 involves 269 properties with a total IV of RM733.28 million.

SECONDARY SALES

Sale of properties from 1 January 2002 – 28 February 2002

Danaharta sold 18 properties with a total IV of RM59.72 million via private contracts during the first two months of 2002. The properties were sold for a total consideration of RM51.76 million, which represents an average recovery of 87% on total IV.

FEATURE ARTICLES



Danaharta's Proprietary Securities Portfolio In Relation To The Equity Market

Until recently, Danaharta was mainly concerned with the acquisition and management of non-performing loans. Readers of our past annual reports would by now be familiar with terms like plain loan restructuring, settlement, scheme of arrangement, special administrators, foreclosure, legal action, etc. All these are methods that we employ to maximise the recovery value of the assets in our portfolio.

Danaharta is now moving into the resolution phase of our life cycle. Our regular property tenders are already well documented, and this is indeed a manifest way by which we convert some of our assets into cash. Apart from that, financial institutions were recently introduced to our first asset-backed securitisation exercise and that opened up another important channel of disposal.

Less conspicuous however, is our involvement in the stockmarket. Those who have perused our half-yearly Operations Report would nevertheless have noticed that the amount of recovery proceeds that we expect from securities as a class of asset group is a significant portion of our total assets.

The ability to convert these instruments into cash within the remaining lifespan of Danaharta, and maximising the proceeds thereof, will have an important bearing on our success. In this article, we hope to provide readers with some appreciation of the way the equity market affects our restructuring and disposal efforts.

WHAT WE HOLD

Broadly speaking, the proprietary securities in Danaharta's portfolio as at 31 December 2001 are divided into the following categories:

CLASS OF SECURITY	COMPRISING
Listed securities	18%
Redeemable & Convertible	66%
Redeemable	8%
Convertible	8%

It is evident that redeemability is the definitive feature of a security to Danaharta, more so than whether the instrument is actually traded on the Kuala Lumpur Stock Exchange (KLSE). This is important because it adds predictability to the timing of cash proceeds, thus reducing Danaharta's exposure to the vagaries of the equity market.

Much of Danaharta's non-redeemable portfolio will probably be sold via direct deals but a significant portion will be transacted through the open market. Investors may wonder if this poses an overhang that could limit the upside for the market. We very much doubt so, and for this reason we think it is fair to give readers a feel of the composition of our investment portfolio.

- **Listed vs non-listed securities.** Close to 80% of our investments are non-listed. These comprise mainly our holdings of bonds, Redeemable Convertible Unsecured Loan Stocks (RCULSs) and Redeemable Convertible Bonds (RCBs). The last two can be turned into shares but, for those that are listed, the prices of their mother shares are mostly such that redemption would be more attractive than conversion, so the probability of conversion is actually low.

- **Kuala Lumpur Composite Index (KLCI) vs non-KLCI components.** It should come as no surprise that the majority of our listed investments are in non-KLCI counters. In fact, only 2% of them are KLCI component stocks. Consequently, our equity market trades have no bearing on this important benchmark of the KLSE. Although more relevant to institutional investors, the KLCI is nevertheless an important influence on overall market sentiment and so this low percentage should also be a relief to retail players.

Danaharta's Proprietary Securities Portfolio In Relation To The Equity Market

- **Put/call option.** Danaharta has entered into put & call option agreements with several white knights or their related parties, which enable Danaharta to place newly issued instruments back to them after a certain lock-out period. Consequently, these shares are unlikely to find their way into the open market as the option prices are usually sufficiently attractive to make the wait worthwhile.

  We favour the put & call option agreements for the same reasons that we place importance on redeemability. But on top of that, we also view them as positive indicators of the confidence that the white knights have in the businesses that they inject into the schemes. For them, the options allow time for share prices to find their correct levels.

- **Internal disposal policy**. Our policy is to maximise recovery value. In some cases, the sale from securities far exceeds the purchase price of their respective NPLs. In those cases, instead of complete disposal of the securities, we return excess to the financial institutions from which the NPLs were bought. Therefore, our total portfolio size overstates our eventual sales.

All these factors reduce the actual flow of securities from our portfolio into the market. To put it into perspective, we have sold less than RM100 million worth of securities through the stock market in 2001, i.e. a drop in the ocean of total market turnover. Thus, our open market operations cannot and do not exert any undue influence on overall market direction.

Having said that, there is no denying that our sales may rise in absolute terms going forward. But so should market turnover if the bullish outlook for 2002 envisaged by most brokers is any indication. As such, the percentage of market volume that we will account for is unlikely to be much higher than it is today.

HOW THE MARKET AFFECTS US

Although Danaharta has little or no influence on the equity market, our exposure to it is undeniably significant. The health of the stock market does have great importance to Danaharta. Specifically, it would affect:

- **The rate of disposal.** The very nature of our focus on restructuring troubled companies means that a debt-equity swap can sometimes leave us with sizeable stakes in companies which historically do not attract much investors' interest. In addition, many of the instruments we have received are debt securities, which tend to be even less liquid.

  Liquidity has been a major obstacle to our disposal efforts. We estimate that in some cases it may take two years to clear our positions in an orderly fashion based on current market volumes. However, a firmer market in 2002 should be accompanied by higher trading volumes in the type of stocks we hold and so we hope to shorten this disposal period.

- **Our recovery rate.** Where restructuring involves issuance of instruments, our expected recovery rates are initially based on share market conditions prevailing at the time such schemes are evaluated. If a long time passes before the schemes are approved and implemented, market conditions would have changed and the value of those instruments when they are finally received can be markedly different from the projections.

To date, this time interval has worked against us as the market has been on the backfoot for most of the last two years. This is one of the reasons the expected recovery rates have declined, particularly for schemes of arrangements from which most of our securities are derived. The reverse should be true then in 2001 as the market picks up.

Danaharta's Proprietary Securities Portfolio In Relation To The Equity Market

On top of that, we hold stakes in several companies whose shares have been suspended from trading on the KLSE. For these shares, we had assigned conservative recovery rates because trading had already stopped at the point of acquisition. A stronger equity market may quicken the resolution of their debt problems and hence a requotation of the shares. This will be a bonus to our recovery rates.

- **The exercise of put/call options.** So far, equity prices have not been such as to tempt our option counterparties to exercise their call options. Similarly, we have not always been able to exercise our put options because of the initial lock-out periods. However, if a market rally pushes share prices above the call exercise price, we may see more conversions of such securities into cash this year.

THE OUTLOOK FOR THE MARKET

The Malaysian equity market started off on a stronger footing in 2002 and the outlook for the rest of the year remains bright. The major factor working in its favour is the recovering economy. The Government is forecasting our economy to grow by 3.5% for the year and most independent economists have been revising their forecasts up and their expectations exceed that of the Government's.

A stronger economy normally lends itself to a healthier banking system. Most observers are expecting the NPLs in the banking system – which have been rising over the course of 2001 – to peak some time this year and then to come back down. This would be positive for the market, as financial stocks account for a significant percentage of total KLSE market capitalisation.

On top of that, corporate restructuring is gaining momentum. The Corporate Debt Restructuring Committee has reiterated its target to complete all cases under its purview by July 2002. There are also non-CDRC related restructuring like the potential separation of national airline MAS into its domestic and foreign components with the latter taking over the listing status.

Excitement would also be generated by two big new listings – highway operator Projek Lebuhraya Utara Selatan Sdn Bhd (PLUS) and telecommunication provider Maxis Communications Berhad. The telecommunication industry is also the subject of possible merger activities. So is the banking sector. All these augur well for a sustained interest in the equity market throughout the year.

CONCLUSION

2001 was the first year that sales of securities made any significant contribution to Danaharta's total income. As instruments received pursuant to the completion of restructuring schemes are on the increase, readers are likely to see this mode of disposal feature more prominently in our income statements in the coming years. In this regard, expectations of a more buoyant equity market this year could not be more welcomed at this juncture of our temporal existence.

Asset Backed Securities (ABS) – Another Milestone In Danaharta's Progress

WHAT IS SECURITISATION

Securitisation is a fund raising technique where bonds or notes that are backed by an underlying pool of assets, are issued to investors. It is normally issued by a special purpose vehicle (SPV) whose sole function is to buy such assets in order to securitize them. The SPV will normally create a trust to hold the underlying assets as security for the investors. The asset-backed securities (ABS) are redeemed based on the primary strength of the assets in the pool, but may be supported by "credit enhancements" provided by the originator or organised through external parties.

Securitisation in its present form originated in the mortgage markets in the United States of America (USA). It was promoted with the active support of the government of the USA. The government wanted to promote secondary markets in mortgages to allow liquidity for mortgage finance companies. In 1970, the Government National Mortgage Association (GNMA) became the first to buy mortgages from mortgage companies and convert them into pass through securities*. Other USA government agencies, Fannie Mae and Freddie Mac jumped in later.

MAIN FEATURES OF SECURITISATION

SPECIAL-PURPOSE VEHICLE

Use of an SPV is critical in securitisation, because the SPV stands between the originator of the underlying loans and the trust of the securities. The key structural feature of an SPV, is bankruptcy remoteness. This is achieved by a "true sale" of the loans to the SPV which enables SPV to insulate the trust from the originator. This means that the originator no longer has ownership rights to the assets, such that in bankruptcy of the originator, the underlying assets remain free from the originators. As a result, the ABS-issuing trust's ability to pay interest and principal should remain intact even if the originator were to fail.

RATING

Bankruptcy remoteness, along with certain other aspects of the SPV's and trust's structures and the extra support provided by credit enhancement, enable the ABS to receive their own credit rating, independent of that of the originator. This is important for investors, because the originators may well have a lower credit rating than that carried by the SPV.

SUBORDINATION

A popular type of internal credit enhancement is the senior/subordinated structure. This is technically a form of "overcollateralization." It is characterized by a senior class of securities and one or more subordinated classes that function as the protective layers for the senior tranche. If a loan in the pool defaults, any loss thus incurred is absorbed by the subordinated securities. The senior tranche is unaffected unless losses exceed the amount of the subordinated tranches. The senior securities are the portion of the ABS issue that is typically rated AAA or of investment grade, while the lower-quality (but presumably higher-yielding) subordinated classes receive a lower rating or are unrated.

TYPES OF ABS

Theoretically, any asset that has a revenue stream can be securitised. In practical terms, the vast majority of securitisation are collateralized by loans and other financial assets. The main asset types securitised are mortgage loans, credit cards, and auto loans, which together constitute the largest segment of the ABS market.

Collateralised bond obligations (CBOs) and collateralised loan obligations (CLOs) are a fast growing new sector of the private asset-backed securities market. CBO or CLO generally refers to a debt obligation whose underlying collateral and source of payment consist of corporate bonds and existing bank loans respectively. Collateralised Debt Obligations (CDOs), on the other hand refers to a securitisation of debt obligations which may include both bonds and loans obligations.

* *pass through is one method of structuring ABS. Under this method, periodic receipts from the pool of the loans are collected, and are passed through to investors i.e. ABS holders.*

Asset Backed Securities (ABS) – Another Milestone In Danaharta's Progress

Later innovation has extended application of securitisation to cover non-financial assets such as aircraft, buildings, and various types of risks, such as insurance risk, weather risk, etc. Innovation is constantly extending securitisation applications.

WHY SECURITISE?

Securitisation brings much benefit to both issuers and investors.

From an issuer's perspective, securitisation provides the following benefits:-

Transforming Financial Assets

It enables the issuers to transform normally illiquid financial assets into liquid and tradable capital market instruments.

More Efficient and Lower Cost Financing Source

The principal reason for this greater efficiency and lower cost of financing is the ability of an issuer, through securitisation, to issue securities that carry a higher rating (and thus a lower interest rate) than the long-term credit rating of the originating institution. This affords issuers cheaper financing than may be supported by their unsecured claims-paying ability.

Removal of Assets from Balance Sheet

This can help an issuer utilise capital more efficiently and achieve compliance with risk-based capital standards. Financial institutions are mostly subjected to the Basel Accords, which set forth an agreed framework for measuring the capital adequacy. As many banks must either increase capital or dispose of financial assets to comply with these guidelines, disposing of assets through a securitisation transaction has become an increasingly attractive means of assisting commercial banks in complying with the Basel framework.

Flexible and Adaptable Nature of Financing

Many issuers have found that securitisation permits a greater degree of specialisation and corresponding efficiency, by allowing a financial institution to segregate and unbundle its loan origination, funding and servicing functions in a manner that best responds to that institution's competitive advantages and desired strategic focus.

For investors, securitisation is attractive for the following reasons:-

High Credit Quality

Because ABS are secured by collateral and/or credit-enhancement with internal structural features to ensure that obligations are met, it enjoys high credit rating, normally triple-A, from the major credit rating agencies.

Attractive Yields

With high safety rating, it offers more attractive yield than comparable government securities of comparable maturity and credit quality.

Reduced Event Risk

Because the SPV is structured to be "bankruptcy remote" from the originators, it provides protection against events that may affect the originators.

Investment Diversity

Investors can diversify their fixed income portfolios away from the traditional government securities, money market securities and corporate debt securities.

Asset Backed Securities (ABS) – Another Milestone In Danaharta's Progress

SECURITISATION IN MALAYSIA

Securitisation in Malaysia originated in 1986 when the Government set up Cagamas Bhd. Cagamas was formed on the model of Fannie Mae and Freddie Mac of USA. Accordingly, Cagamas functions as an SPV between the house mortgage lenders and investors of long term funds. It acquires mortgages from the financial institutions, and in return issues Cagamas bonds to finance the acquisitions.

To further encourage development of this market, the Securities Commission issued Securitisation Guidelines on 11 April 2001. The Guidelines among others, provide parameters for securitisation on areas such as:-

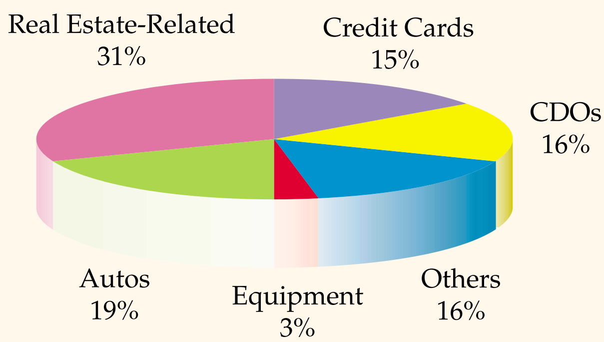
- requirements for assets that can be securitised;
- originators criterias;
- true sale criterias;
- SPV requirements;
- Trust deed requirements; and
- Disclosure requirements.

ABS MARKETS

ABS issuance in 2001 reached record levels in all 3 major markets i.e. US, Europe and Japan, with issues worth US$301 billion, US$122 billion and US$28 billion respectively. These 3 markets account for about 88% of the total global ABS issues of US$510 billion.

Global Issuance by Asset Class for 2001: US$510 billion

2001 GLOBAL ABS ISSUES



Source: Credit Suisse First Boston, MCM CorporateWatch.

In Malaysia, as at end-2000, Cagamas had securitised RM15 billion worth of housing loans from the banking industry. This accounts to approximately 23.8% of the total outstanding volume within the banking industry as at end-2000.

Since the introduction of Securitisation Guidelines, three securitisation deals worth a total of RM1.23 billion were completed. Of the three, Danaharta's securitisation through Securita ABS One Berhad is the first issuer of CLO type, whereas the other two are of CBO type.

Asset Backed Securities (ABS) – Another Milestone In Danaharta's Progress

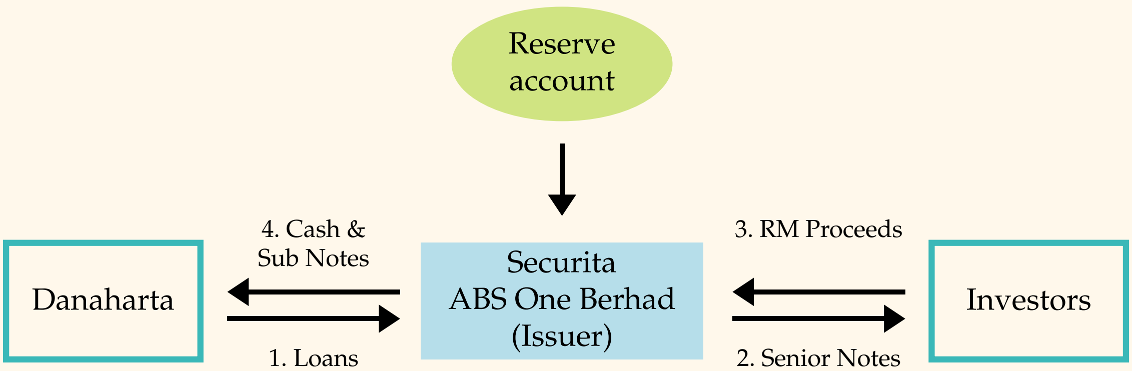
DANAHARTA EXPERIENCE

As at 31 December 2001, Danaharta Group had approximately RM4.0 billion of performing loans in its portfolio. Various initiatives were explored in early 2001 as to how best divest some of the performing loans so as to accelerate the conversion of a non-cash asset into cash. Securitisation was identified as a suitable method due to the following reasons:-

- represents an efficient means for divestment as compared to selling loans individually, especially with regard to smaller loans;
- enables a wider investor base to be captured;
- placement of rated debt securities will overcome operational difficulty in auctioning large number of loans where multiple investors are exposed to loan data;
- avoids the risk of cherry picking under the direct sale method;
- Danaharta's retention of the subordinated tranche of the securities will enable it to enjoy any residual upside in the recovery, hence maximising recovery; and
- assists the Government in promoting securitisation as well as introduce new products to the financial market.

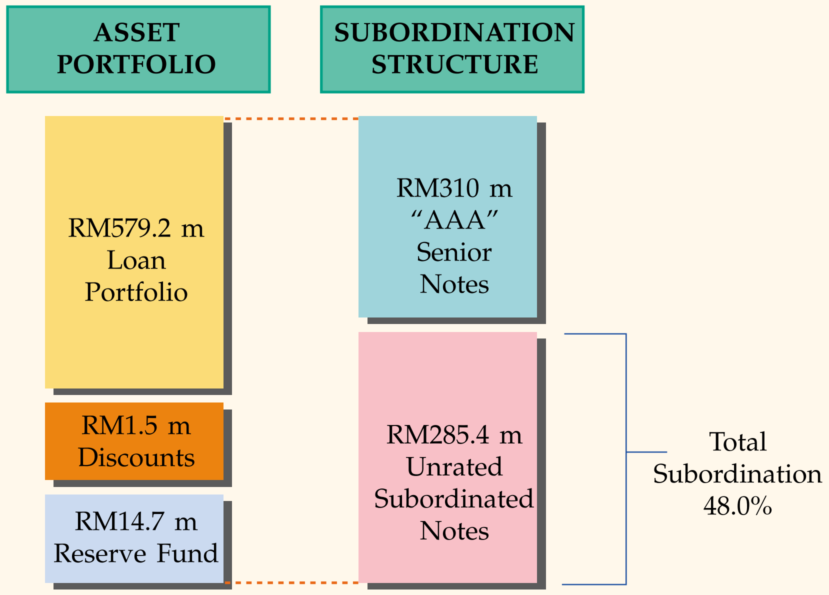
TRANSACTION SUMMARY

Danaharta's CLO transaction essentially involves the sale of a portfolio of performing loans with outstanding amounts of about RM579 million by Danaharta Group to Securita ABS One Berhad, an SPV, in return for cash and Sub-ordinated Notes issued by the SPV. The SPV raised the cash by issuing triple-A rated 3.875% RM310 million Senior Notes to the investing public. The Senior Notes mature in December 2005. Redemption of the Sub-ordinated Notes will only commence after full redemption of the Senior Notes. Danaharta will act as a servicer to the loans sold to SPV in return for a fee. The diagram below illustrates the mechanics of Danaharta's CLO transaction.



The amount set aside in the Reserve Account is to cover for any shortfall in coupon payment on the Senior Notes as well as expenses. The Senior Notes were rated AAA by Rating Agency Malaysia Berhad which indicates the highest level of comfort for timely payment of interest and principal. Under the subordination structure, the Senior Noteholders were provided with safety from default risk was mitigated by the high degree of subordination amounting to RM285.4 million or 48% of the total asset portfolio as illustrated in the following diagram.

Asset Backed Securities (ABS) – Another Milestone In Danaharta's Progress



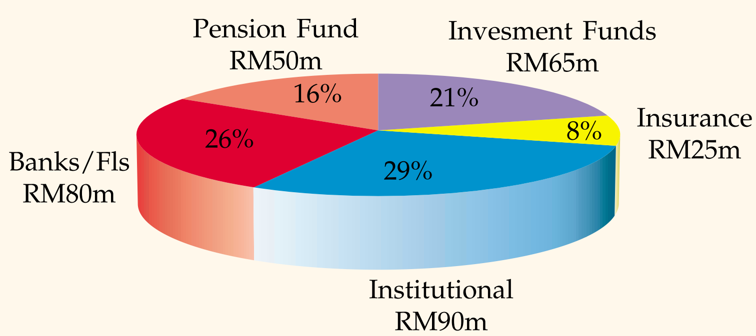
SUCCESSFUL LAUNCH AND ISSUE

Danaharta's CLO transaction was launched on 20 November 2001 with a presentation and press conference. The occasion was well attended with representatives from both local and foreign media, government agencies and potential investors such as financial institutions, insurance companies and fund managers.

Following a book-building process by the Joint-Lead Managers for the offer, the Senior Notes were issued at 99.54% of par value with a coupon rate of 3.875%, giving an effective yield of 4.0% per annum to the investors. Total proceeds raised from the issue amounted to RM308.57 million. The offer was very well received by investors giving an over-subscription rate of 3.5 times with orders in excess of RM1.0 billion at closing on 10 December 2001.

The Senior Notes were issued on 20 December 2001 and allocated to a well diversified portfolio of investors as follows:-

Final Allocation of The Senior Notes



Enterprise Risk Management (ERM) and Corporate Governance

The role of risk management has changed significantly since shareholders became key players in corporate management during the late 1980s. It has continued to evolve during the 1990s, as stakeholders began to exert increasing influence due to environmental and ethical lobbies. The regulation of financial organisations, and especially banks, has evolved over the last decade to place new emphasis on formal risk management as a regulatory requirement and ensuring that all risks are managed in a structured manner throughout an organisation. The standardisation of risk assessment and reporting as well as the measurement of risk using the economic capital concept are important developments towards enhancing risk management.

This trend can be seen in the original Basle Capital Accord of 1988 which required all banks to relate risk to levels of capital in a standard, albeit simplistic way. The new Basle II proposals include, for the first time, an explicit capital charge for bank operational risks such as fraud and system failures. They also offer banks the opportunity to base their capital charges for credit risk on probabilities of default and economic capital concepts, rather than the basic systems of risk weightings adopted in the original Accord. The proposals are also likely to open up bank risk management to increased scrutiny by the capital markets and investors as well as to require banks to publish standard risk disclosures. These measures are a strong encouragement to banks to put in place defensible ERM structures and strategies.

In a wider context, the increased competition brought forth by globalisation is driving organisations towards integrating ERM into their businesses. This trend is seen in the current business environment where good corporate governance is required by the market in necessitating a minimum level of transparency and voluntary disclosure of pertinent information failing which, the appropriate capital market discounting is effected by investors.

Good corporate governance requires that the board of directors maintain a sound system of internal control to safeguard shareholders' investment and the company's assets. In meeting this requirement, principal risks faced by the organisation need to be identified and thereafter, mitigated through an appropriate system of internal control. This integral link between risk and control emphasises the requirement for appropriate risk management in an organisation. In this respect, ERM can be an effective operational business tool for good corporate governance in addition to ERM as a strategic tool for the organisation in coordinating strategic response to organisational risks.

BEST PRACTICES IN ERM

ERM approaches the continuous management of risks across an organisation in a structured, balanced and integrated way in order to achieve the optimal level of customer and shareholder value. As a strategic tool, ERM has been increasingly used in the management of uncertainty and the prevention of unfavourable outcomes.

In adopting an ERM approach in integrating risk into the organisation, key stakeholders' support is crucial to ensure that the required change management to be implemented will be appropriately resourced and satisfactorily completed. Best practice recommends reinforcing this "top-down" approach with a "bottom-up" approach in integrating risk management into the organisation's operations. This important link to the "bottom-up" self-assessment reinforces the need to integrate and compare top-down strategic risk management processes with bottom-up control or risk self-assessments. Such self-assessment practices reflect strongly the ERM culture that the responsibility for management of risks lies with the line.

Enterprise Risk Management (ERM) and Corporate Governance

As corporate strategy embodies the organisation's strategic plans, an effective ERM function would need to have a clear link to it. Integrating ERM with business strategy involves risk management reviewing the corporate strategy to provide reasonable assurance that potential risks or obstacles are identified, highlighted and addressed to the appropriate decision makers in the organisation. The ERM function adds further value to the organisation's strategic planning by establishing processes to link strategic risk management with value creation to achieve competitive advantage.

In facilitating an effective ERM implementation, a common risk language needs to be established across the organisation. This is essential in ensuring the existence of consistent points of reference for communication and reporting as well as for the application of risk management methods. Once a common risk language is established, the next step lies in setting out appropriate risk measurement standards. The importance of risk measurement is reflected in the requirement for organisation-specific scales in order to estimate how often specific events may occur, the magnitude of their consequences and the transition of measurement from qualitative perspectives to quantitative approximations. Risks, once measured, need to be reported to management on a timely basis to assist and facilitate the decision making process. These reports should be suitably designed to highlight risk information pertinent to the various decision-makers in the organisation. Risk reports form an integral part in the global review of organisational risks.

Risk management is most effective when the corporate culture encourages every individual to play a balanced role. They should be aware of risks and bring significant risk issues to the management's attention. This Risk Culture, whereby responsibility for management of risk lies with the line is an integral component to an efficient ERM infrastructure.

INTEGRATING ERM INTO THE BUSINESS

A good business plan should, in part, be based on a corporate governance framework that ensures good business practices through stewardship, leadership and control. The business plan should establish, at the outset, cohesive policies and procedures to ensure that risks are managed. It should also ensure that business objectives are met efficiently and effectively, taking into consideration the organisation's governance framework. Business planning and risk management should not be separate activities.

An integrated ERM system entails a structure for implementation of processes with clearly defined accountabilities and responsibilities. The ERM infrastructure aims to ensure that the management of risk becomes an integral part of the planning and management processes and general culture of the organisation. Key roles and responsibilities in an ERM infrastructure may be viewed as follows:

KEY ROLES	RESPONSIBILITIES
Organisation head	General oversight of risk management throughout the organisation which include: • Defining the organisation's risk appetite. • Ensuring that the organisation has the risk management resources to support its business. • Establishing the organisational structure, roles and responsibilities for risk management, including the role of a chief risk officer. • Implementing an integrated risk measurement and management framework. • Establishing risk assessment and audit processes, as well as performance benchmarking. • Setting and enforcing the tone for risk management from the top, and providing appropriate opportunities for organisational learning.

KEY ROLES	RESPONSIBILITIES
Risk Champion/Committee	• Ensuring that the risk management program is monitored and updated regularly. • Accepting responsibility for risk identification and accountability for those that have not been adequately identified or assessed. • Conducting or arranging appropriate training where necessary. • Monitoring compliance.
Staff members	• Assisting the coordinator to identify and control risks in his/her area of responsibility. • Continuously reviewing risks and controls of their operations to ensure effective management.

One of the ERM guiding principles is that risk is ubiquitous and exists at all levels of the organisation and therefore needs to be managed accordingly. In this respect, ERM can only address the huge volume and diversity of risks involved if each and every member of staff is enlisted into the objectives of risk management. Rather than managing risks themselves, the risk management team helps the organisation's business units and support functions to recognise their risks and establish appropriate processes for managing them. It is important to highlight the fact that this is not a one-off activity. Although it is possible to document the risks affecting an activity as well as the procedures and techniques for managing them, both the procedures for gathering the information and the information itself need to be updated continuously to reflect changes in the way that the activity is conducted. An example of processes and the requisite accountabilities in an ERM framework is as follows:

PROCESS	ACCOUNTABILITIES
Facilitate the conduct of a risk assessment assessing all major categories of risk and rating each risk identified.	Risk Champion/Committee.
Sign-off on the risk register and risk management action plan.	Risk Champion and organisation head.
Prepare structure of risk management implementation plan ranking key risk control strategies identified in accordance with the priority established during the risk assessment stage.	Risk Champion/Committee.
Approve finalised risk management plan.	Organisation head.
Monitor performance on actions identified (i.e. training programs, new processes or procedures) through formal reporting to the organisation head (e.g. monthly, quarterly).	Risk Champion and relevant designated staff.

Enterprise Risk Management (ERM) and Corporate Governance

OVERCOMING THE CHALLENGES IN IMPLEMENTING ERM

In most organisations, there is already some level of risk management being practiced, albeit under various functions and indirect responsibilities. Organisational risks, more often than not, are being monitored and addressed in a fragmented manner. Unless risks are managed on a global basis, there may not be adequate assurance to key stakeholders that organisational risks are being identified and appropriately managed. The concept of the Risk Champion being the focal point for the ERM process is important in order to achieve global risk overview and management.

ERM is likely to meet with more resistance than most management initiatives and it is unlikely that the benefits of ERM will be realised unless it is driven by a figure of sufficiently high authority within the organisation. The Risk Champion has to be adequately empowered for an effective management of organisational risks.

Another common obstacle in the implementation of ERM is organisational silos which arise from the lack of understanding of the requirements for ERM. One way of overcoming such problems would be via management "buy-in" which could be achieved through an awareness programme on the benefits of integrating ERM into the business. Setting the appropriate tone from the top and effective cascading of stakeholders' support of the ERM infrastructure throughout all levels of personnel in the organisation could expedite the "buy-in" process.

CONCLUSION

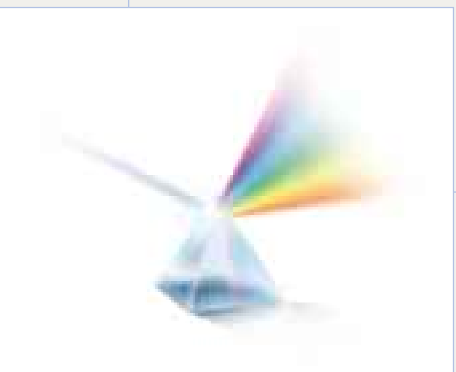
Corporate governance is all about running a business efficiently where risks and rewards are adequately balanced so that shareholders get an adequate return from their investments reflective of the underlying risks. It is also about directors' stewardship and their accountability to shareholders in terms of maintaining and enhancing shareholders' value. Effective risk management is an essential component of this equation. Cutting edge thinking advocates that a coordinated overall strategic approach to risk management is the way forward. Hence, the emergence and importance of the concept of ERM.

ERM entails an organisation being focussed on achieving its objectives and continuously prioritising the allocation of its scarce resources. It also entails an appropriate tone being set from the top and being cascaded downwards throughout the organisation in such a way that effective "buy-in" is achieved.

In the current business environment where increased competition and globalisation are creating ever increasing pressures on costs and margins, any organisation which manages to strike an effective balance in its strategic planning process would have a competitive advantage. It is here that the establishment of an effective ERM framework would be able to add value to any organisation. It must be noted however, that there would be a certain amount of cultural change required and a slight paradigm shift in thinking within the organisation in relation to the management of risks. However, the end benefits and end product would significantly outweigh any potential teething pains endured in the interim period.

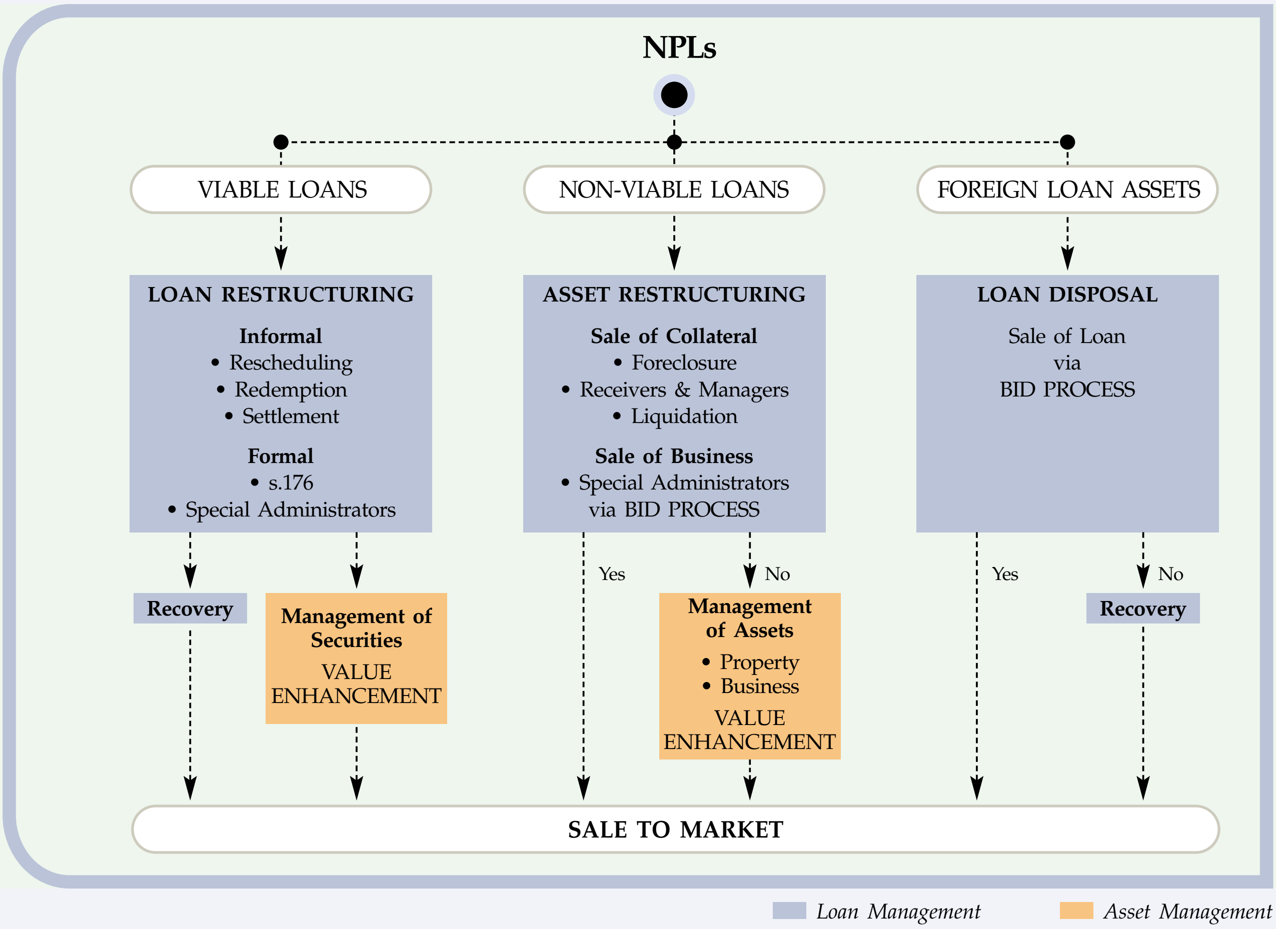
Those that follow the traditional school of thought would probably not see any deficiencies in their current approach of the divergent management of risks within the organisation, as opposed to a coordinated strategic approach as advocated by ERM. However, what are often overlooked are the benefits from effective ERM which enhances the facilitation in the minimisation of risks as well as the maximisation of opportunities. Hence, the profile of today's Risk Manager is not one of a "backroom boy" but rather of an informed and commercial manager, well aware of his corporate and civil responsibilities in today's demanding business environment.

REFERENCE MATERIALS



Loan and Asset Management and Disposition

Danaharta's approach in management and disposition of assets is summarised below.



LOAN MANAGEMENT

LOAN RESTRUCTURING

When Danaharta acquires an NPL, Danaharta will first assess the viability of the loan. Every borrower with a viable loan is given an opportunity to restructure the loan using Danaharta's published loan restructuring principles and guidelines.

These principles and guidelines were formulated after considering the following objectives:

- To maximise the overall recovery value and return to Danaharta.
- To minimise the involvement of taxpayers' money.
- To ensure fair treatment of all stakeholders.
- To utilise where appropriate Danaharta's special powers to leverage and benefit the banking system as a whole.

The purpose of these principles and guidelines is to promote transparency and to provide a basis for borrowers and their advisers to formulate workout proposals. Loan restructuring schemes approved by Danaharta must adhere to these guidelines. Detailed rationale must be given for deviations from these guidelines.

The guidelines are divided into four segments, namely:

- Loan restructuring principles;
- Guidelines for corporate borrowers;
- Guidelines for individual borrowers; and
- Guidelines for guarantors.

1. Loan Restructuring Principles

The following are the loan restructuring principles that must be observed:

1.1 Haircut to the shareholders of the borrower

Under the scheme, the shareholders must take a proportionately bigger haircut i.e. where the scheme requires debt reduction, the share capital reduction ratio must be greater than the debt reduction ratio. In addition, subordination of shareholders' loans (if any) would be made a pre-requisite to the scheme.

1.2 Fair treatment to secured and unsecured creditors

Schemes must reflect a genuine effort by the borrower to settle with the creditors in a fair manner. Settlements to secured creditors must be more favourable than those offered to unsecured creditors.

1.3 No dilution of inadequate security

Schemes should not result in a dilution of the security to the lenders unless the collateral is in excess of the outstanding loans. All forms of cash collateral must only be utilised to retire or settle the outstanding loan amount.

1.4 Only one opportunity given

Danaharta will give the borrower only one opportunity in implementing a scheme. This is to prevent borrowers from making unnecessary revisions once the scheme is implemented.

1.5 Make borrowers work for lenders

Any scheme must allow for the lenders to also benefit from efforts put in by borrowers. While viable borrowers are given the time and opportunity to make good their obligations, they will be closely monitored on performance and efforts to repay lenders.

2. Guidelines for Corporate Borrowers

The following are the guidelines for corporate borrowers that should be adhered to:

2.1 Terms of settlement offered

No zero coupon structure should be entertained. All financial instruments offered should have a reasonable yield that is commensurate with the cashflow of the borrower.

2.2 Clarity of usage of funds

The usage of funds proposed under a scheme should be clearly identified/defined at the outset and strictly adhered to.

2.3 Equity-kicker elements

The scheme should involve equity-kickers such as warrants, convertible loans, etc.

2.4 Repayment period
The repayment period for restructured loans should not exceed five years.

2.5 Benefits of written down assets
Any subsequent value realised in excess of the book value of assets (written down as part of the scheme) should be subject to a sharing ratio between the borrower and the lender.

2.6 Anti-dilution clause
The scheme should incorporate an anti-dilution clause to ensure that the intrinsic value of the equity or quasi-equity is maintained. This clause will also pre-empt any attempt by the shareholders of the borrower to dilute the eventual shareholdings of creditors through issuance of new shares.

2.7 The scheme should contain covenants for monitoring purposes such as:
- A monitoring mechanism
- Inter-company lending
- Transfer of assets
- Dividend payments
- Future borrowings

3. Guidelines for Individual Borrowers
The following guidelines apply to individual borrowers and should be adhered to:

3.1 Statutory declaration
All individual borrowers are required to give a statutory declaration on their net worth. This requirement is to increase the borrower's accountability in relation to the scheme.

3.2 Legal proceedings in the event the scheme fails
Legal proceedings are to be taken against the borrower should the scheme fail.

3.3 Annual review of performance
The scheme is to be closely monitored via an annual review of performance.

3.4 Moratorium on the disposal of personal assets
The disposal of personal assets by the borrower should not be allowed during the duration of the scheme unless the proceeds are for the settlement of debts outstanding.

3.5 Consent Judgement
Consent judgement should be obtained from borrowers prior to the commencement of the scheme allowing Danaharta to apply all available avenues for recovery in the event of the scheme failing. This will pre-empt any action by the borrower to delay recovery action.

3.6 Equity-kicker
The scheme should include the provision of an equity-kicker to Danaharta.

3.7 Repayment period
The repayment period for restructured loans should not exceed five years.

3.8 The scheme should contain some covenants for monitoring purposes such as:
- A monitoring mechanism
- Future borrowings

4. **Guidelines for Guarantors**
The guidelines apply to guarantors and should be adhered to:

4.1 Substantial and critical guarantors
Where the lending was made based on the standing and/or net worth of corporate or individual guarantors, the recovery measures must recognise the obligation of the guarantors. As such, relevant provisions of the guidelines for corporate and individual borrowers should apply.

4.2 Other guarantors
In respect of other guarantors, no release of guarantees should be considered unless all feasible recovery measures have been pursued.

ASSET RESTRUCTURING

Non-viable loans are placed under asset restructuring as are borrowers who fail to produce restructuring proposals acceptable to Danaharta or fail to comply with the loan restructuring guidelines.

Asset restructuring involves the sale of a borrower's business or the collateral of an NPL. In either case, Danaharta will apply the principles of competitive bidding, preservation and enhancement of the value of the business or collateral as well as orderly disposition.

Sale of foreclosed properties

Section 57 of the Danaharta Act and the Fifteenth Schedule of the National Land Code 1965 give Danaharta additional rights as a chargee over property collateral. If a borrower does not repay his loan within 30 days from the date of a notice from Danaharta requiring it to do so, Danaharta may sell the underlying property collateral by private treaty.

A 'private treaty' sale by Danaharta may be carried out by way of tender, private contract or auction:

Sale by tender
Danaharta prefers the sale of property by way of open tender since it is the most transparent method and allows the best recovery value. Properties are offered for sale at their respective indicative values based on the latest independent valuations of the properties. A member of the public can obtain from Danaharta or real estate agents on Danaharta's panel, brochures featuring key information about properties being tendered and purchase a tender package for the property that he is interested in. The tender package includes a copy of the latest valuation report on the property, a copy of the sale & purchase agreement and the terms & conditions for the sale by way of tender. Guided by this information, the prospective buyer may submit a bid for the property.

All submitted bids are collated by a Tender Committee comprising senior Danaharta management officials who are not involved in organising and managing the tender process. This is done in the presence of external auditors. The winning bids are later presented to the Tender Board for its approval and all bidders are notified in writing of the success (or failure) of their bids. The Tender Board is made up of two Danaharta representatives (including the Managing Director), a representative of the Foreign Investment Committee, a valuer and an accountant.

Danaharta conducts tender exercises periodically, the objectives of which are to:

- Reduce the number of properties that will eventually be managed by Danaharta.
- Establish a clear and transparent process to foreclose on assets at acceptable market-based prices.

The tenders are marketed via a wide range of media, including newspaper advertisements, radio announcements, television and newspaper interviews and through the Danaharta website (www.danaharta.com.my). Other efforts include communication with potential investors as well as establishment of links with and direct marketing to members of trade organisations such as the Federation of Malaysian Manufacturers and various Chambers of Commerce.

Spearheading the marketing efforts are the real estate agents on Danaharta's panel, who actively market the properties and advise bidders on their tenders.

It is important to appreciate that the tender process represents an initial sale of property collateral. Unsold properties are transferred to Danaharta Hartanah and subsequently re-offered to the market.

Sale by private contract
A private contract is basically a one-to-one negotiation between Danaharta as chargee of the property collateral and a prospective buyer. For some types of property, this method may give the best value. To ensure transparency, Danaharta makes it very clear that negotiations must be guided by the market value, based on the latest independent professional valuation of the property, and a sale will only proceed with the consent of the borrower.

Where the property is owned by Danaharta Hartanah, the borrower's consent is no longer required, but the negotiation is still guided by the market value.

Sale by Danaharta auction
A Danaharta auction will be similar to a property auction under the National Land Code and will be conducted by a professional property auctioneer. This method has yet to be applied.

Sale of business via Special Administrators

The Danaharta Act confers on Danaharta the ability to manage corporate borrowers via the appointment of Special Administrators. With the appointment, the Special Administrators assume control of the assets and affairs of the company. The powers of the management and the Board of the company are effectively suspended and only the Special Administrators can deal with the assets of the company.

In order to preserve those assets until the Special Administrators are able to complete their task, a 12-month moratorium will take effect from the date of appointment. During that period, no creditor may take action against the company.

The Special Administrators will prepare a workout proposal that will be reviewed by an Independent Advisor approved by the Oversight Committee. The Independent Advisor's role is to review the reasonableness of a proposal, taking into consideration the interests of all creditors, whether secured or unsecured, and shareholders.

If Danaharta approves the proposal prepared by the Special Administrators, the latter will call for a meeting of secured creditors to consider and vote on the proposal. A majority in value of secured creditors present and voting at the meeting must approve the proposal before it can be implemented. Relevant regulatory approvals must also be obtained.

The list of companies under Special Administration (including a brief update on each company) as well as those where the services of the Special Administrators have been terminated, are given on pages 66 to 79.

Sale of foreign loan assets

Foreign loan assets comprise non-Ringgit loans and marketable securities extended to or issued by foreign companies. Disposing foreign loan assets for cash, Ringgit Malaysia loan assets and/or non-Ringgit Malaysia loan assets allows Danaharta to:

- Dispose assets whose value is difficult to enhance
- Obtain Malaysian loan assets over which Danaharta can use its comparative strength by exercising its legal powers to resolve the loans.

This method is also operationally more efficient and is consistent with Danaharta's objective of maximising the recovery value of acquired assets.

Principal bidders (PBs) and marketable account bidders (MABs) have participated in the restricted tenders of the foreign loan assets within Danaharta's portfolio. PBs can bid for both loan accounts and marketable securities while MABs can bid for only marketable securities.

Danaharta has sought to enhance the transparency of the tender process by ensuring that all available documentation in relation to the loan accounts are provided to the PBs. In addition, Danaharta appointed an external accounting firm to review the process.

ASSET MANAGEMENT

PROPERTY SALE BY DANAHARTA HARTANAH SDN BHD

Danaharta has always maintained that the focus of its NPL resolution efforts is to restructure the viable loans in accordance with Danaharta's published loan restructuring principles and guidelines (the first sieve). Non-viable loans are transferred to asset restructuring where Danaharta will either appoint SAs to assume control of the business and assets of the borrower, or foreclose on the property collateral. Where foreclosure is necessary, the foreclosed properties are first offered to the market (the second sieve).

Properties that remain unsold after a tender exercise are transferred to Danaharta Hartanah. It is only at this point (the third sieve) that Danaharta takes over the ownership of the properties. Prior to this, Danaharta's position was that of a chargee of the properties.

Danaharta Hartanah will continually and actively market and sell the properties under its ownership by employing methods such as marketing via real estate agents, contacting potential investors who have registered their interest with Danaharta or re-offering the properties in subsequent property tenders. Where necessary, Danaharta Hartanah will conduct value enhancement work on the properties. The number of properties that will eventually be managed by Danaharta is expected to be minimal.

MANAGEMENT OF SECURITIES

As a result of loan restructuring exercises where settlements are in the form of securities, Danaharta would own and manage the securities. These securities may include equity shares which are set off as part of a settlement agreement or new securities issued by the borrower.

In general, the securities can be categorised into irredeemable, redeemable and convertible securities:

- **Irredeemable securities**
  The two classes of securities in this category are ordinary shares and irredeemable convertible loan stocks (ICULS). Danaharta will only dispose these securities if the share price exceeds the pre-determined target price based on Danaharta's fundamental analysis of the securities.

- **Redeemable securities**
  This category includes both secured and unsecured loan stocks as well as preference shares. Danaharta will only dispose these securities if the price exceeds the pre-determined target price based on Danaharta's analysis of the credit risks against the yield to maturity of the securities. If the target price is not met, Danaharta will depend on redemption of the securities as a means to exit from these securities.

- **Convertible securities**
  These are generally redeemable securities such as loan stocks and preference shares which may be converted into equity shares. The management of these securities would be mainly similar to that of redeemable securities, up to the point where the price of the ordinary shares exceeds the redemption sum of the instrument. From that point onwards, any decision to sell would be similar to that for ordinary shares i.e. when the price exceeds the target price set by Danaharta based on fundamental analysis.

The actual selling of securities that are readily tradable are made through:

- Stockbrokers, in accordance with market rules of the Kuala Lumpur Stock Exchange (KLSE) where the securities are listed and normally traded through the KLSE; and

- Financial institutions, where sales would follow normal trade practices for marketable instruments (relating mainly to securities that are not listed or normally traded through the KLSE).

However, where the securities are subject to call and put options, the decision to dispose the securities will be governed by the call and put option agreements. In situations where there is a breach of the agreement, the decision to dispose will be based on the type of security as explained above.

List of Companies under Special Administration

UPDATE ON COMPANIES UNDER SPECIAL ADMINISTRATION AS AT 19 FEBRUARY 2002

As at 19 February 2002, Danaharta had appointed Special Administrators across 61 groups of companies, with 42 groups of companies still at various stages of special administration. The stages of Special Administration can be categorised in 6 stages as follows:

	Description	No of companies
(a)	Special Administrators discharged	22
(b)	Workout proposal implemented, Special Administrators pending discharge	8
(c)	Workout proposal approved by authorities, being implemented	18
(d)	Workout proposal submitted to authorities, awaiting approval	13
(e)	Workout proposal approved by Secured Creditors, pending submission to authorities	5
(f)	Special Administrators appointed, pending preparation of workout proposal	47

(A) COMPANIES WHERE SPECIAL ADMINISTRATORS HAVE BEEN DISCHARGED (22 companies):

	Company, principal activities & listing status	Special Administrators	Independent Advisors
1	Fima Securities Sdn Bhd *(formerly known as Capitalcorp Securities Sdn Bhd)* *Stockbroking*	Mr Chew Hoy Ping Ms Chan Yim Fun *(PricewaterhouseCoopers)* *Appointed on 4 January 1999* *Discharged on 2 July 1999*	RHB Sakura Merchant Bankers Berhad
2	Teramaju Sdn Bhd *Manufacture of plywood and wood-based products*	Mr Patrick Chew Kok Bin Mr Alvin Tee Guan Pian *(Anuarul Azizan Chew & Co)* *Appointed on 7 April 1999* *Discharged on 6 January 2000*	Arab-Malaysian Merchant Bank Berhad
3	Innosabah Securities Sdn Bhd *Stockbroking*	Mr Gong Wee Ning Ms Chan Yim Fun Ms Yap Wai Fun Mr Kenneth Teh Ah Kiam *(PricewaterhouseCoopers)* *Appointed on 30 April 1999* *Discharged on 23 June 2000*	Amanah Merchant Bank Berhad
4	Premier Capital Securities Sdn Bhd *Stockbroking*	Mr Gong Wee Ning Ms Chan Yim Fun Ms Yap Wai Fun Mr Kenneth Teh Ah Kiam *(PricewaterhouseCoopers)* *Appointed on 30 April 1999* *Discharged on 27 July 2000*	RHB Sakura Merchant Bankers Berhad
5	Nian Aik Sdn Bhd *Manufacturing of wood products*	Mr Narendra Kumar Jasani Ms Janice Lee Guat Hoe *(Shamsir Jasani Grant Thornton)* *Appointed on 15 December 1999* *Discharged on 11 August 2000*	O.S.K. Holdings Berhad

List of Companies under Special Administration

	Company, principal activities & listing status	Special Administrators	Independent Advisors
6	Alor Setar Securities Sdn Bhd *Stockbroking*	Mr Adam Primus Varghese Abdullah Mr Ooi Teng Chew *(Ernst & Young)* *Appointed on 12 February 1999* *Discharged on 17 August 2000*	O.S.K. Holdings Berhad
7	Perusahaan Sadur Timah Malaysia Berhad *Manufacture and sale of tin plates, Listed on KLSE Main Board*	Mr Adam Primus Varghese Abdullah Mr Foo San Kan Ms Wong Lai Wah *(Ernst & Young)* *Appointed on 9 September 1999* *Discharged on 8 September 2000*	Arab-Malaysian Merchant Bank Berhad
8	WK Securities Sdn Bhd *Stockbroking*	Dato' Nordin bin Baharuddin Mr Adam Primus Varghese Abdullah *(Ernst & Young)* *Appointed on 12 February 1999* *Discharged on 29 November 2000*	Amanah Merchant Bank Berhad
9	Labuan Securities Sdn Bhd *Stockbroking*	Mr Gan Ah Tee Mr John Ho Shui Fah Mr Ooi Woon Chee *(KPMG)* *Appointed on 12 February 1999* *Discharged on 29 November 2000*	RHB Sakura Merchant Bankers Berhad
10	MGI Securities Sdn Bhd *Stockbroking*	Mr Yeo Eng Seng Mr Adam Primus Varghese Abdullah *(Ernst & Young)* *Appointed on 30 April 1999* *Discharged on 29 November 2000*	Ferrier Hodgson MH
11	Halim Securities Sdn Bhd *Stockbroking*	Mr Gong Wee Ning Ms Chan Yim Fun *(PricewaterhouseCoopers)* *Appointed on 12 February 1999* *Discharged on 15 December 2000*	RHB Sakura Merchant Bankers Berhad
12	J&C Trading Sdn Bhd *Trading*	Mr Mok Yuen Lok Mr Poon Yew Hoe *(Horwath Mok & Poon)* *Appointed on 30 June 2000* *Discharged on 20 December 2000*	Not required
13	Taiping Securities Sdn Bhd *Stockbroking*	Mr Gan Ah Tee Mr Ooi Woon Chee Mr Peter Ho Kok Wai *(KPMG)* *Appointed on 12 February 1999* *Discharged on 29 December 2000*	Amanah Merchant Bank Berhad

List of Companies under Special Administration

Company, principal activities & listing status	Special Administrators	Independent Advisors
14 MBf Northern Securities Sdn Bhd *Stockbroking*	Mr Gan Ah Tee Mr Peter Ho Kok Wai Mr Ooi Woon Chee *(KPMG)* *Appointed on 12 February 1999* *Discharged on 10 February 2001*	Amanah Merchant Bank Berhad
15 Utama Impian Sdn Bhd *Property development*	En Razalee Amin Mr Tam Kok Meng *(Razalee & Co)* *Appointed on 1 June 2000* *Discharged on 30 April 2001*	(SAs discharged before formulation of workout proposal, therefore no Independent Advisor appointed)
16 Dax Foods Sdn Bhd *Manufacturing and marketing of chocolate based confectionery*	Mr Mok Yuen Lok Mr Onn Kien Hoe *(Horwath Mok & Poon)* *Appointed on 28 July 1999* *Discharged on 20 September 2001*	Hew & Tan
17 Winshine Holdings Sdn Bhd *Investment holding and the provision of management services*	Mr Gan Ah Tee En Mohamed Raslan Abdul Rahman *(KPMG)* *Appointed on 15 December 1999* *Discharged on 8 November 2001*	Horwarth Mok & Poon
18 Winshine Industries Sdn Bhd *Manufacturing of furniture and wood-based products*	As above	As above
19 Mentakab Veneer & Plywood Sdn Bhd *Manufacturing of veneer and plywood*	Mr Heng Ji Keng Mr Kelvin Edward Flynn *(Ferrier Hodgson MH)* *Appointed on 23 February 2000* *Discharged on 29 September 2001*	BDO Binder
20 Uncang Emas Sdn Bhd *Property development and management*	En Mohd Noor Abu Bakar En Suhaimi Badrul Jamil *(Mohd Noor & Associates)* *Appointed on 4 July 2000* *Discharged on 7 September 2001*	(SAs discharged before formulation of workout proposal, therefore no Independent Advisor appointed)
21 Miharja Development Sdn Bhd *Property development and investment*	As above	As above
22 Sri Hartamas Hotels Sdn Bhd *Owner of two hotels in Melaka and Pulau Pinang respectively* *Wholly-owned subsidiary of Sri Hartamas Berhad*	Mr Gan Ah Tee Mr Ooi Woon Chee En Mohamed Raslan Abdul Rahman *(KPMG)* *Appointed on 21 August 2000* *Discharged on 19 February 2002.*	Deloitte KassimChan

List of Companies under Special Administration

(B) COMPANIES WHERE WORKOUT PROPOSALS HAVE BEEN IMPLEMENTED, AND SPECIAL ADMINISTRATORS ARE PENDING DISCHARGE (8 companies):

	Company, principal activities & listing status	Special Administrators	Independent Advisors
1	Instangreen Corporation Berhad *(Beginning 30 January 2002, known as LBS Bina Group Bhd)* *(Listed on KLSE Main Board)* *and two subsidiaries, namely:*	Mr Mak Kum Choon Mr Chu Siew Koon *(Deloitte KassimChan)* *Appointed on 9 September 1999* *Moratorium extended to 8 September 2002*	Perwira Affin Merchant Bank Berhad
2	SPJ Construction Sdn Bhd	As above	As above
3	Instangreen (Landscape) Sdn Bhd *The Group's principal activities are property and golf resort development, golf course and sports field design and construction, landscaping and general civil engineering works*	As above	As above
4	***Part of the CA Group*** CA Furniture Industries Sdn Bhd *Manufacturing of rubber wood furniture*	Mr Ooi Woon Chee En Mohamed Raslan Abdul Rahman Mr Ng Chwe Hwa *(KPMG)* *Appointed on 16 December 1999* *Moratorium extended to 15 December 2002*	Asia Pacific Management Insight Sdn Bhd
5	Caton Wood Industries Sdn Bhd *Manufacturing of veneer, plywood and blockboard*	Mr Adam Primus Varghese Abdullah Ms Wong Lai Wah Mr Kevin K. How *(Ernst & Young)* *Appointed on 16 December 1999* *Moratorium extended to 15 December 2002*	Asia Pacific Management Insight Sdn Bhd
6	Pakata Sdn Bhd *Manufacturing of printed colour boxes and industrial packaging*	Mr Narendra Kumar Jasani Ms Janise Lee Guat Hoe *(Shamsir Jasani Grant Thornton)* *Appointed on 1 July 2000* *Moratorium extended to 30 June 2002*	Ernst & Young
7	Soctek Sdn Bhd *Palm oil refiner and trader in crude palm oil*	Mr Yeo Eng Seng Mr Adam Primus Varghese Abdullah Ms Wong Lai Wah *(Ernst & Young)* *Appointed on 10 July 2001*	Ferrier Hodgson MH
8	Soctek Edible Oils Sdn Bhd *Manufacturing of all types of edible oils and specialty fats*	As above	As above

(C) COMPANIES WHERE WORKOUT PROPOSALS HAVE BEEN APPROVED BY THE AUTHORITIES AND ARE BEING IMPLEMENTED (18 companies):

	Company, principal activities & listing status	Special Administrators	Independent Advisors
1	Perdana Industries Holdings Berhad *Investment holding* *Listed on KLSE Main Board*	Ms Yap Wai Fun Mr Lim San Peen *(PricewaterhouseCoopers)* *Appointed on 28 July 1999* *Moratorium extended to 27 July 2002* *Mr Gong Wee Ning was discharged on 8 October 2001 and replaced by Ms Yap Wai Fun (appointed on 10 October 2001)*	Deloitte KassimChan *Malaysian International Merchant Bankers Berhad was discharged on 5 October 2001 and replaced by Deloitte KassimChan*
2	RNC Corporation Berhad *(formerly known as Arensi Holdings (M) Berhad)* *Manufacturing and trading of PVC pipes and fittings, ready mixed concrete, cement bricks and pre-cast products, as well as the provision of financing services and timber products* *Listed on KLSE Main Board*	Mr Robert Teo Keng Tuan Mr Chew Chong Eu *(Hanifah Teo & Associates)* *Appointed on 28 July 1999* *Moratorium extended to 27 July 2002*	Amanah Merchant Bank Berhad
3	Sportma Corporation Berhad *Manufacture and trading of racquets and other sports equipment* *Listed on KLSE Second Board*	Mr Robert Teo Keng Tuan Mr Chew Chong Eu *(Hanifah Teo & Associates)* *Appointed on 9 September 1999* *Moratorium extended to 8 September 2002*	Ferrier Hodgson MH
4	Austral Amalgamated Berhad *Holding company with subsidiaries involved in property development and investment, hotels and resorts, foreign investments, travel and tours, trading, timber extraction and finance* *Listed on KLSE Main Board*	Mr Lim Tian Huat Mr George Koshy *(Arthur Andersen & Co)* *Appointed on 9 September 1999* *Moratorium extended to 8 September 2002*	RHB Sakura Merchant Bankers Berhad
5	Profound View Sdn Bhd *Property development*	Appointed on 6 July 2000 *Moratorium extended to 5 July 2002*	As above
6	Danau Kota Development Sdn Bhd *Property development*	As above	As above
7	Likas View Sdn Bhd *Property development*	As above	As above
8	Golden Pearl Island Hotel Sdn Bhd *Owner of a 12-storey, 126-room hotel in Pulau Pinang*	Mr Mok Yuen Lok Mr Poon Yew Hoe *(Horwath Mok & Poon)* *Appointed on 24 July 2000* *Moratorium extended to 23 July 2002*	Ferrier Hodgson MH

List of Companies under Special Administration

	Company, principal activities & listing status	Special Administrators	Independent Advisors
	Wholly-owned subsidiaries of Sri Hartamas Berhad		
9	Cempaka Mewah Sdn Bhd *Property developer*	Mr Gan Ah Tee Mr Ooi Woon Chee En Mohamed Raslan Abdul Rahman *(KPMG)* *Appointed on 18 October 2000* *Moratorium extended to 17 October 2002*	Deloitte KassimChan
10	Mewah Rembang Sdn Bhd *Property developer*	As above	As above
	Subsidiaries of Kuala Lumpur Industries Holdings Berhad		
11	Bee Hin Holdings Sdn Bhd *Investment holding, rental of properties and the provision of corporate and financial support services*	Mr Mok Yuen Lok Mr Oon Kien Hoe *(Horwath Mok & Poon)* *Appointed on 27 October 2000* *Moratorium extended to 26 October 2002*	PricewaterhouseCoopers
12	Emville Sdn Bhd *Property developer*	As above	As above
13	Kuala Lumpur Industries Berhad *Investment and investment property holding company*	As above	As above
14	Sistem Irama Sdn Bhd *Property developer*	As above	As above
	Subsidiaries of Techno Asia Holdings Berhad		
15	Prima Moulds Manufacturing Sdn Bhd *(formerly known as Techno Asia Sdn Bhd)* *Manufacturer of standard and custom mould bases*	Mr Lim Tian Huat Mr Chew Cheng Leong *(Arthur Andersen & Co)* *Appointed on 2 February 2001* *Moratorium extended to 1 February 2003*	O.S.K. Holdings Sdn Bhd
16	Ganda Edible Oils Sdn Bhd *Crude oil palm processing*	*Appointed 30 April 2001* *Moratorium extended to 29 April 2003*	As above
17	Wisma Dindings Sdn Bhd *Property development and investment*	As above	As above
18	Techno Asia Venture Capital Sdn Bhd *Capital financing*	As above	As above

(D) COMPANIES WHERE WORKOUT PROPOSALS HAVE BEEN SUBMITTED TO AUTHORITIES, AND ARE AWAITING APPROVAL (13 companies):

	Company, principal activities & listing status	Special Administrators	Independent Advisors
1	Malaysia Electric Corporation Berhad *Manufacturing and retailing of household and electrical appliances*	Mr Lim Tian Huat Mr George Koshy *(Arthur Andersen & Co)* *Appointed on 7 April 1999* *Moratorium extended to 6 April 2002*	Commerce International Merchant Bankers Berhad
2	MEC Industrial Park Sdn Bhd *Property holding company of the MEC Berhad Group*	*Appointed on 9 September 1999* *Moratorium extended to 8 September 2002*	As above
3	Jupiter Securities Sdn Bhd *Stockbroking*	Mr Gan Ah Tee Mr Ooi Woon Chee *(KPMG)* *Appointed on 30 April 1999* *Moratorium extended to 29 April 2002*	RHB Sakura Merchant Bankers Berhad
4	Advance Synergy Furniture Sdn Bhd *Integrated furniture manufacturing*	Tuan Syed Amin Aljeffri En Mohd Arif Hj Mustapah *(Aljeffri & Co)* *Appointed on 9 September 1999* *Moratorium extended to 8 September 2002*	O.S.K. Holdings Berhad
5	Seng Hup Corporation Berhad *Import, export, wholesale and retail trading of decorative light fittings and equipment and related products and accessories, as well as the provision of management services, property development and property holding* *Listed on the KLSE Second Board*	Mr Tan Kim Leong Mr David Siew Kah Toong *(BDO Binder)* *Appointed on 9 September 1999* *Moratorium extended to 8 September 2002*	KPMG
6	Beloga Sdn Bhd *Manufacturing and recycling of aluminium and copper products and general trading*	Mr Heng Ji Keng Mr Bradley Dean Norman *(Ferrier Hodgson MH)* *Appointed on 12 October 1999* *Moratorium extended to 11 October 2002* *Mr Kelvin Edward Flynn was discharged on 8 October 2001 and replaced by Mr Bradley Dean Norman (appointed on 10 October 2001)*	KPMG

List of Companies under Special Administration

	Company, principal activities & listing status	Special Administrators	Independent Advisors
7	Kilang Papan Seribu Daya Berhad *Production of sawn timber and moulded timber products* *Listed on KLSE Second Board*	Mr Adam Primus Varghese Abdullah Ms Wong Lai Wah Mr Kevin K. How *(Ernst & Young)* *Appointed on 14 December 1999* *Moratorium extended to 13 December 2002*	Aseambankers Malaysia Berhad
8	Bescorp Industries Berhad *Manufacturing & sale of reinforced concrete piles and contracting of piling & substructure works for infrastructure & construction projects* *Listed on KLSE Second Board*	Mr Tan Kim Leong Mr Siew Kah Toong *(BDO Binder)* *Appointed on 2 March 2000* *Moratorium extended to 1 March 2002*	Deloitte KassimChan
9	Associated Kaolin Industries Berhad *Manufacturing and sale of refined kaolin, logging and downstream timber products* *Listed on KLSE Second Board*	Mr Yap Wai Fun Mr Lim San Peen *(PricewaterhouseCoopers)* *Appointed on 3 May 2000* *Moratorium extended to 2 May 2002* *Mr Gong Wee Ning was discharged on 8 October 2001 and replaced by Ms Yap Wai Fun (appointed on 10 October 2001)*	BDO Binder
10	Sri Hartamas Berhad *Property development company* *Listed on KLSE Main Board*	Mr Gan Ah Tee Mr Ooi Woon Chee En Mohamed Raslan Abdul Rahman *(KPMG)* *Appointed on 16 June 2000* *Moratorium extended to 15 June 2002*	Deloitte KassimChan
11	Puncak Permata Sdn Bhd *Property developer*	*Appointed on 18 October 2000* *Moratorium extended to 17 October 2002*	As above
12	Mawar Tiara Sdn Bhd *Property developer*	As above	As above
13	Kuala Lumpur Industries Holdings Berhad *Investment holding* *Listed on KLSE Main Board*	Mr Mok Yuen Lok Mr Oon Kien Hoe *(Horwath Mok & Poon)* *Appointed on 30 June 2000* *Moratorium extended to 29 June 2002*	PricewaterhouseCoopers

List of Companies under Special Administration

(E) COMPANIES WHERE WORKOUT PROPOSALS HAVE BEEN APPROVED BY SECURED CREDITORS, AND ARE CURRENTLY PENDING SUBMISSION TO AUTHORITIES (5 companies):

	Company, principal activities & listing status	Special Administrators	Independent Advisors
1	Techno Asia Holdings Berhad *(formerly known as Westmont Land (Asia) Berhad)* *Investment holding company with subsidiaries involved in property development, investment holding, palm plantations, power generation and hotel operations*	Mr Lim Tian Huat Mr Chew Cheng Leong *(Arthur Andersen & Co)* *Appointed on 2 February 2001* *Moratorium extended to 1 February 2003*	O.S.K. Holdings Sdn Bhd
2	Mount Austin Properties Sdn Bhd *Property development*	*Appointed 30 April 2001* *Moratorium extended to 29 April 2003*	As above
3	Litang Plantations Sdn Bhd *Oil palm plantation*	As above	As above
4	Cempaka Sepakat Sdn Bhd *Oil palm plantation*	As above	As above
5	Ganda Plantations (Perak) Sdn Bhd *Oil palm plantation*	As above	As above

(F) COMPANIES WHERE SPECIAL ADMINISTRATORS HAVE BEEN APPOINTED, AND PENDING PREPARATION OF WORKOUT PROPOSALS (47 companies):

	Company, principal activities & listing status	Special Administrators	Independent Advisors
1	Teras Cemerlang Sdn Bhd *Investment holding*	Ms Chan Yim Fun Mr Kenneth Teh Ah Kiam *(PricewaterhouseCoopers)* *Appointed on 8 April 1999* *Moratorium extended to 7 April 2002* *Mr Gong Wee Ning was discharged on 8 October 2001 and replaced by Ms Chan Yim Fun (appointed on 10 October 2001)*	Aseambankers Malaysia Berhad
2	Repco Holdings Berhad *Investment holding and provision of management services to companies within the Repco group* *Listed on KLSE Second Board*	As above	As above
3	Repco (Malaysia) Sdn Bhd *Trading in automotive parts*	As above	As above
4	Even Horizon Sdn Bhd *Investment holding*	As above	As above

List of Companies under Special Administration

	Company, principal activities & listing status	Special Administrators	Independent Advisors
	(Repco group cont'd.)		
5	Everise Capital Sdn Bhd *Trading and investment holding*	Ms Chan Yim Fun Mr Kenneth Teh Ah Kiam *(PricewaterhouseCoopers)* *Appointed on 8 April 1999* *Moratorium extended to 7 April 2002* *Mr Gong Wee Ning was discharged on 8 October 2001 and replaced by Ms Chan Yim Fun (appointed on 10 October 2001)*	Aseambankers Malaysia Berhad
6	Repco Timber Sdn Bhd *Provision of timber operation management services and the marketing of timber related products*	As above	As above
7	Everise Ventures Sdn Bhd *Organising and managing of 4-digit forecast pools*	As above	As above
8	Hajat Semarak (M) Sdn Bhd *Trading of timber logs*	As above	As above
9	Teluk Jadi Sdn Bhd *Extraction of timber logs*	As above	As above
10	Manalom Sdn Bhd *Housing and property development*	Mr Mak Kum Choon Mr Chu Siew Koon *(Deloitte KassimChan)* *Appointed on 27 July 1999* *Moratorium extended to 26 July 2002*	Aseambankers Malaysia Berhad
11	Sin Heng Chan (Malaya) Berhad *Investment holding company* *Subsidiaries engaged in broiler breeding, as well as manufacturing and selling of formulated animal products* *Listed on KLSE Main Board*	Mr Lim Tian Huat Mr George Koshy *(Arthur Andersen & Co)* *Appointed on 11 August 1999* *Moratorium extended to 10 August 2002*	Malaysian International Merchant Bankers Berhad
12	Timbermaster Industries Berhad *Listed on KLSE Second Board*	Mr Lim San Peen Ms Yap Wai Fun *(PricewaterhouseCoopers)* *Appointed on 14 December 1999* *Moratorium extended to 13 December 2002*	KPMG
13	Timbermaster Timber Complex (Sabah) Sdn Bhd	As above	As above
14	Kompleks Perkayuan Timbermaster Smallholders Sdn Bhd	As above	As above
15	Timbermaster (Malaysia) Sdn Bhd	As above	As above

List of Companies under Special Administration

	Company, principal activities & listing status	Special Administrators	Independent Advisors
16	Perkayuan T.M. (Malaysia) Sdn Bhd *The Group is involved in manufacturing and trading of wood products, as well as property development & management, and gaming & leisure*	*Appointed on 24 January 2000* *Moratorium extended to 23 January 2003*	As above
17	Sandakan Plywood and Veneer Sdn Bhd *Logging and manufacturing of veneer*	Ms Chan Yim Fun Mr Lim San Peen *(PricewaterhouseCoopers)* *Appointed on 15 December 1999* *Moratorium extended to 14 December 2002*	K&N Kenanga Berhad
18	Sandakan Blockboard Manufacturing Co. Sdn Bhd *Manufacturing of plywood and blockboard*	As above	As above
19	Lumberise Sdn Bhd *Manufacturing of wood products*	Ms Chan Yim Fun Ms Yap Wai Fun *(PricewaterhouseCoopers)* *Appointed on 15 December 1999* *Moratorium extended to 14 December 2002*	K&N Kenanga Berhad
	Part of the CA group		
20	CA Manufacturing Sdn Bhd *Manufacturing of rubber wood furniture*	Mr Ooi Woon Chee En Mohamed Raslan Abdul Rahman Mr Ng Chwe Hwa *(KPMG)* *Appointed on 16 December 1999* *Moratorium extended to 15 December 2002*	Asia Pacific Management Insight Sdn Bhd
21	Woo Hing Brothers (Malaya) Berhad *Retailer in watches* *Listed on KLSE Second Board*	Mr Heng Ji Keng Mr Bradley Dean Norman *(Ferrier Hodgson MH)* *Appointed on 2 March 2000* *Moratorium extended to 1 March 2002* *Mr Kelvin Edward Flynn was discharged on 8 October 2001 and replaced by Mr Bradley Dean Norman (appointed on 10 October 2001)*	Shamsir Jasani Grant Thornton
22	Mitsuoka Electronics (M) Sdn Bhd *Manufacturing and sale of transformers, adaptors and motor coils*	Mr Mak Kum Choon Mr Chu Siew Koon *(Deloitte KassimChan)* *Appointed on 24 May 2000* *Moratorium extended to 23 May 2002*	Ernst & Young

List of Companies under Special Administration

Company, principal activities & listing status	Special Administrators	Independent Advisors
23 Abrar Corporation Berhad *Investment holding company, with subsidiaries involved in property investment, development and construction* *Listed on KLSE Main Board*	Mr Lim San Peen Mr Yap Wai Fun *(PricewaterhouseCoopers)* *Appointed on 27 May 2000* *Moratorium extended to 26 May 2002* *Mr Gong Wee Ning was discharged on 8 October 2001 and replaced by Ms Yap Wai Fun (appointed on 10 October 2001)*	KPMG
24 Abrar Group International Sdn Bhd *Investment holding company with subsidiaries involved*	As above	As above
25 Rahman Hydraulic Tin Berhad *Tin mining and rubber production* *Listed on KLSE Main Board*	Mr Yeo Eng Seng En Adam Primus Varghese Abdullah Ms Wong Lai Wah *(Ernst & Young)* *Appointed on 16 June 2000* *Moratorium extended to 15 June 2002*	Arab-Malaysian Merchant Bank Berhad
26 Tang Kwor Ham Realty Sdn Bhd *Owner and operator of 112-room hotel in Melaka*	Mr Gan Ah Tee Mr Ooi Woon Chee En Mohamed Raslan Abdul Rahman *(KPMG)* *Appointed on 30 June 2000* *Moratorium extended to 30 June 2002*	Asia Pacific Management Insight Sdn Bhd
27 Profil Kemas Sdn Bhd *Developer and operator of a 14-storey, 330-room hotel in Kota Bharu, Kelantan*	Mr Kenneth Teh Ah Kiam Ms Chan Yim Fun *(PricewaterhouseCoopers)* *Appointed on 24 July 2000* *Moratorium extended to 23 July 2002*	O.S.K. Holdings Berhad
28 Projek Kota Langkawi Sdn Bhd *Owner of a 177-room resort hotel in Pulau Langkawi, Kedah*	Ms Chan Yim Fun Mr Kenneth Teh Ah Kiam *(PricewaterhouseCoopers)* *Appointed on 24 July 2000* *Moratorium extended to 23 July 2002*	Deloitte KassimChan

List of Companies under Special Administration

	Company, principal activities & listing status	Special Administrators	Independent Advisors
	Part of the Austral Amalgamated group		
29	Alpha Agencies Sdn Bhd *Developer of a 14-storey, 291-room hotel in Kota Kinabalu, Sabah*	Mr Lim Tian Huat Mr Ng Teck Wah *(Arthur Andersen & Co)* *Appointed on 24 July 2000* *Moratorium extended to 23 July 2002*	BDO Binder
30	Trimula Development Sdn Bhd *Property developer and investment holding company*	En Mohamed Raslan Abdul Rahman Mr Ooi Woon Chee Mr Gan Ah Tee *(KPMG)* *Appointed on 22 August 2000* *Moratorium extended to 21 August 2002*	To be appointed
31	LMD Sdn Bhd *(previously known as Salanta Development Sdn Bhd)* *Property developer*	En Abdul Khudus Mohd Naaim En Hassan Hussain *(KS & Associates)* *Appointed on 29 August 2000* *Moratorium extended to 28 August 2002*	To be appointed
32	Bridgecon Holdings Berhad *The Group is involved in the provision of civil engineering and concrete pumping services, manufacture and supply of ready-mixed concrete, building construction, turnkey project management, quarrying operations and property development* *Listed on KLSE Second Board*	Mr Siew Kah Toong Mr Tan Kim Leong *(BDO Binder)* *Appointed on 6 April 2001*	Horwarth Mok & Poon
33	Bridgecon Engineering Sdn Bhd	*Appointed on 24 May 2001*	As above
34	Lean Seng Chan (Quarry) Sdn Bhd	As above	As above
35	NCK Corporation Berhad *Investment holding company with subsidiaries involved in manufacturing and marketing of steel pipes and building materials, as well as property development* *Listed on KLSE Main Board*	Dato' Nordin Baharuddin Mr Adam Primus Varghese Abdullah Ms Wong Lai Wah *(Ernst & Young)* *Appointed on 16 April 2001*	Ferrier Hodgson MH
36	Ng Choo Kwan & Sons Hardware Sdn Bhd *Hardware merchant*	Dato' Nordin Baharuddin Mr Adam Primus Varghese Abdullah Ms Wong Lai Wah *(Ernst & Young)* *Appointed on 11 October 2001*	As above
37	NCK Wire Products Sdn Bhd *Manufacturing and marketing of wire products*	As above	As above

List of Companies under Special Administration

	Company, principal activities & listing status	Special Administrators	Independent Advisors
	NCK group (cont'd.)		
38	NCK Aluminium Extrusion Sdn Bhd *Manufacturing of aluminium products*	Dato' Nordin Baharuddin Mr Adam Primus Varghese Abdullah Ms Wong Lai Wah *(Ernst & Young)* *Appointed on 11 October 2001*	Ferrier Hodgson MH
39	NCK Metal Sdn Bhd *Provision of specialist materials and soil protection works* *Leasing and rental of temporary construction materials*	As above	As above
40	Fook Chuan Trading Sdn Bhd *Dealer in building materials, including hardware products*	As above	As above
41	MGR Corporation Bhd *Manufacturing and marketing of timber-related products* *Listed on the KLSE Second Board*	En Adam Primus Varghese Abdullah Ms Wong Lai Wah Mr Kevin K. How *(Ernst & Young)* *Appointed on 11 October 2001*	To be appointed
42	Nitcom Sales & Services *Distributor of telecommunication products and provider of telecommunication products and services*	Mr Tan Lye Chong Mr Siew Kah Toong *(BDO Binder)* *Appointed on 19 November 2001*	To be appointed
43	Nitcom Technology Sdn Bhd *Provide advance contract manufacturing assembly services to OEMs in the computer, telecommunications, aviation, medical and electronics industries*	As above	As above
44	Safire Pharmaceuticals (M) Sdn Bhd *Manufacturing of generic pharmaceutical products*	Dato' Mohammad Aidid Mohd Shariff En Mohamed Raslan Abdul Rahman *(KPMG)* *Appointed on 19 November 2001*	To be appointed
45	Tool Consult & Press Sdn Bhd *Involved in tool and metal engineering and consultancy business*	En Razalee Amin En Daud Yunus *(Razalee & Co)* *Appointed on 21 November 2001*	To be appointed
46	Tool Shop Sdn Bhd *Manufacturing, designing and fabricating of plastic mould and press die for use in the electrical, electronics and automotive industries*	As above	As above
47	Matahari-TCP Sdn Bhd *Wholesale, retail, deal and trade in computer products*	As above	As above

SUMMARY OF MAJOR AMENDMENTS TO THE PENGURUSAN DANAHARTA NASIONAL BERHAD ACT 1998

OBJECTIVES OF THE AMENDMENTS

The Malaysian Government tabled in Parliament the Pengurusan Danaharta Nasional Berhad (Amendment) Bill 2000 (the Amendment Bill), which introduces amendments to the Pengurusan Danaharta Nasional Berhad Act 1998 (the Danaharta Act).

These amendments are intended:

(a) to clarify existing provisions of the Danaharta Act in order to remove any doubts about their intended effect; and

(b) to overcome practical difficulties which have arisen since Danaharta began operations.

The Amendment Bill was passed by the Dewan Rakyat and the Dewan Negara on 17 July 2000 and 31 July 2000 respectively.

This summary sets out the major amendments introduced by the Amendment Bill, in the following five categories:

Administrative matters

Vesting process

The Danaharta Act, which came into force in September 1998, introduced a statutory vesting process to allow Danaharta to acquire non-performing loans (NPLs) in a speedy and efficient manner. This process has enabled Danaharta to complete its acquisition of NPLs well ahead of schedule.

The statutory vesting process involves the issue of a vesting certificate to evidence the acquisition of an NPL by Danaharta. The Danaharta Act does not expressly allow Danaharta to issue replacement vesting certificates, for example, to update information relating to an NPL that has been acquired. The Amendment Bill clarifies that Danaharta may do so: *new sections 14A & 19A of the Danaharta Act.*

Disclosure of information

Danaharta sells assets in a transparent and professional manner and transacts with anyone who gives the best value. In order to maximise recovery values, it is important that Danaharta is able to disclose information about viable businesses and other assets for sale to potential investors or "white-knights". The Amendment Bill amends *section 20* of the Danaharta Act to clarify that Danaharta may do so.

Oversight Committee

Under the Danaharta Act, a 12-month moratorium takes effect upon the appointment of Special Administrators who are appointed with the approval of the Oversight Committee established under the Act. The moratorium preserves the assets of the borrower company and gives the Special Administrators the opportunity of preparing a workout (or restructuring) proposal. The Amendment Bill clarifies that the Oversight Committee may approve the termination of the moratorium before expiry of the initial 12-month moratorium period where the Special Administrators have completed their tasks: *amended section 22 of the Danaharta Act.*

Special Administrators

Appointment of Special Administrators

The Amendment Bill expands the list of affected persons over whom Danaharta may appoint Special Administrators: *amended section 21(1) of the Danaharta Act.* In addition to the borrower company itself, the class of persons over whom Danaharta may apply to appoint Special Administrators includes:

(a) any subsidiary of the borrower;
(b) any company who has provided security to Danaharta; and
(c) any company where at least 2% of its share capital has been charged as security to Danaharta.

Under the Danaharta Act, Danaharta can only appoint a Special Administrator with the approval of the Oversight Committee established under the Act. The Oversight Committee currently comprises the Accountant-General, the Chairman of the Securities Commission and a Deputy Governor of Bank Negara Malaysia.

In order to obtain approval, Danaharta must satisfy the Oversight Committee that the criteria set out in the Danaharta Act have been met. These include the fact that the company cannot pay its debts, that the appointment would ensure its survival as a going concern, that the appointment would result in a more advantageous realisation of assets than on a winding up, or that it would achieve a more expeditious restructuring.

The amendment recognises that companies in a group often operate as a single economic unit. Consistent with the existing provisions under the Danaharta Act, the appointment will allow Danaharta to preserve and protect the value of its security.

The Danaharta Act does not expressly provide for the appointment of additional or replacement Special Administrators. The Amendment Bill clarifies that such appointments are possible: *new section 25A(2) of the Danaharta Act.*

The Amendment Bill also clarifies that the mere fact of an appointment of a Special Administrator does not trigger a breach of contract or release any existing security: *new section 29A of the Danaharta Act.*

Special Administrators' powers

Amendments have been made to clarify the consequences of an appointment of a Special Administrator. These include making it an offence for a person:

(a) to perform a function as an officer of the affected company without the prior approval of the Special Administrator: *new section 33(4) of the Danaharta Act*; and
(b) to obstruct or hinder the Special Administrator: *new section 39A of the Danaharta Act.*

In both cases, the penalty for committing such an offence is RM250,000 or jail for up to 3 years or both.

New section 42A of the Danaharta Act allows a Special Administrator to challenge transactions involving the acquisition of assets above fair value from, or the sale of assets below fair value to, a director of the affected company or a related party. This is similar to a liquidator's right under section 295 of the Companies Act, 1965.

Sometimes, in order to preserve the value of viable businesses, it may be necessary for the affected company to obtain interim funding to ensure that it is able to continue as a going concern while a workout proposal is being prepared. It is unlikely that a lender would agree to provide funding to a company under special administration unless it was assured of receiving priority in repayment. The Amendment Bill introduces amendments to provide creditors who lend to the affected company during the special administration such priority: *new section 66A of the Danaharta Act*. Likewise, a Special Administrator will be paid approved costs and expenses in priority.

Moratorium
Under the Danaharta Act, a person who wishes to commence legal proceedings against a company under special administration must first seek Danaharta's approval to do so. The Amendment Bill clarifies that Danaharta's decision on this matter is final and binding: *new section 41(7) of the Danaharta Act.* This is consistent with the underlying purpose of the Act which is to ensure that Danaharta can achieve its mission promptly, efficiently and economically.

The Danaharta Bill makes a breach of the moratorium a specific offence: *new section 41(8) of the Danaharta Act.* The penalty for this offence is a fine not exceeding RM250,000 or imprisonment for up to 3 years or both.

Workout proposals

The Amendment Bill redefines a secured creditor to be those creditors who hold tangible assets – such as land, shares or fixed deposits – as security: *amended section 21(1) of the Danaharta Act*. This reflects the more common types of security usually held by financial institutions. The specific definition will allow a Special Administrator to identify secured creditors with a greater degree of certainty.

Under the Danaharta Act, a Special Administrator is required to submit the workout proposal for approval by Danaharta and, subsequently, by secured creditors. However, in some cases, the affected company may not have any secured creditors. The Amendment Bill clarifies that, in those circumstances, approval by Danaharta is sufficient: *amended section 46(4) of the Act*. As with workout proposals approved by secured creditors, a proposal approved by Danaharta will also be binding on the affected company, shareholders, creditors and those affected by the proposal.

Private treaty sales

The Danaharta Act allows Danaharta to foreclose on assets charged to it by way of sale by private treaty. The Danaharta Bill clarifies that the modes of sale by private treaty include auction, tender and private contract: *amended section 57(2)* of the Danaharta Act. Open tenders have been Danaharta's preferred mode of sale.

The amendments also clarify that Danaharta may act as buyer of last resort for foreclosed assets: *amended section 57(5) of the Danaharta Act.* It is not uncommon for lenders to reserve the right to acquire foreclosed assets to ensure that those assets are sold at fair values. Thus, for example, where Danaharta offers landed properties for sale, it will stand in as a buyer of last resort to ensure that properties are sold at a minimum price, and not at fire sale prices.

In addition, the amendments clarify that Danaharta may exercise its rights to foreclose under the Danaharta Act even though the selling bank may have commenced foreclosure proceedings: *amended section 57(6) of the Danaharta Act*. As the loans acquired by Danaharta are non-performing loans, foreclosure proceedings may already have been commenced by the selling bank by the time it sells the NPL to Danaharta. Thus, for example, the selling bank may have applied and obtained an order to sell the property under the National Land Code. In those circumstances, Danaharta has the option of continuing with the sale under the National Land Code or proceed in accordance with the Danaharta Act.

Finally, the Amendment Bill allows Danaharta to take appropriate steps to preserve the value of properties charged to it and to facilitate the sale of the property: *amended section 57(1)(b) of the Danaharta Act*. This amendment is intended to overcome the practical problems that Danaharta now faces over acts of vandalism and malicious damage. Thus, for example, the amendment will enable Danaharta to appoint guards to protect the property against such acts of vandalism and malicious damage. In addition, in order to assist in maximising recovery values, the amendment will enable Danaharta to arrange for site inspections.

General matters

The Danaharta Act imposes an obligation of secrecy on officers, employees and agents of Danaharta. The Amendment Bill extends this obligation to the Oversight Committee and specifies a penalty for breach of this secrecy obligation: *new section 65(2) of the Danaharta Act*. The penalty for such an offence is RM250,000 or jail for up to 3 years or both.

Where a company commits an offence under the Danaharta Act, officers of the company may also be charged for the same offence: *new section 66B of the Danaharta Act.*

New section 71 of the Danaharta Act clarifies that an act done in breach of the Danaharta Act is not invalidated provided it was done in good faith. This is to ensure that acts done in good faith are preserved and the interests of third parties who may have acted in reliance of those acts are not affected. The person who committed the breach would of course still be accountable for the breach.

New section 72 of the Danaharta Act prohibits injunctions being issued against Danaharta, the Oversight Committee, Special Administrator or Independent Advisor. This provision is required given Danaharta's function and mission which is to maximise recovery values. Legal proceedings by NPL borrowers are not uncommon even if those proceedings do not have a sound legal basis. The greater the number of suits, the longer Danaharta will take to complete its mission. The delays involved in litigation will reduce the recovery values of NPLs and ultimately increase the cost to the public of resolving the NPL problem. Protection against such time consuming suits will ensure that Danaharta is able to focus its resources on the management and resolution of acquired NPLs in the shortest possible time.

DISPOSAL OF PROPERTY COLLATERAL

DANAHARTA IS SLOW IN DISPOSING THE PROPERTIES IN ITS PORTFOLIO.

A common and frequent misconception about Danaharta's property sales is the expectation that Danaharta will be foreclosing on and disposing all properties within its portfolio. This assumes that Danaharta's only method of recovery is foreclosure and sale of collateral. This is not the case as Danaharta will explore the option of restructuring and rehabilitating viable loans, much like what a bank would do.

Loan restructuring can be formal (e.g. via Special Administrators appointed under the Danaharta Act or section 176 Companies Act restructuring) or informal (e.g. loan rescheduling or debt/equity conversions). Under loan restructuring, Danaharta does not need to foreclose on the property collateral. Ownership of the property remains with the borrower or the third party chargor. Danaharta only forecloses on property collateral if the loan is non-viable or where loan restructuring is unsuccessful. With the considerable success achieved in loan restructuring to date, it is unlikely that much of the underlying property collateral will have to be foreclosed on and sold off.

RECOVERY

DANAHARTA HAS ALMOST RM50 BILLION OF NPLS, BUT HAS ONLY COLLECTED RM843 MILLION FROM PROPERTY SALES. THERE IS NO REAL RECOVERY FROM THE NPLS.

As at 31 December 2001, Danaharta has received RM15.17 million recovery proceeds from NPLs and assets in Danaharta's portfolio that have been restructured. Almost 40% from the restructured assets of RM15.17 billion are in the form of cash (approximately RM5.7 billion), with securities and properties, as well as performing loans, making up the rest.

With Danaharta now focusing on implementing approved recovery strategies, more recovery proceeds are expected to be collected in the future.

DANAHARTA HAS THE POWER TO FORECLOSE ON LOAN COLLATERAL AS IT WISHES

When Danaharta acquires a loan from the banks, Danaharta assumes the role as the chargee to the collateral by stepping into the shoes of the banks. Danaharta does not own the collateral that is pledged to the loan, be it properties or shares, but merely has a charge over them.

Similar to any financial institution, Danaharta will only foreclose on the collateral to recover from the loan if the borrower does not comply with his loan repayment obligations. Therefore, so long as the borrower fulfils this obligation, Danaharta will not foreclose on the security. Danaharta's objective is to maximise recovery value, as such borrowers are always encouraged to restructure their loans as this method generally yields higher return compared to other recovery methods. If this method fails, Danaharta will have no choice but to consider foreclosure as a final resort for recovery.

Under Section 57 of the Danaharta Act, Danaharta may sell the underlying property collateral if a borrower fails to repay his loan within one month of the date of a foreclosure notice from Danaharta requiring him to do so. The property collateral will be sold by way of private treaty sales, which include sale via open tender, private contract or auction. However, the foreclosure on shares that are pledged to the loans has to be done as per the loan agreement.

In the event that a loan has not defaulted but an interested party has approached Danaharta to propose the purchase of the collateral, Danaharta will have to seek consent from the borrower before disposing of the assets. In other words, the disposal of the securities hinges on the borrower's decision and Danaharta will only act with the borrower's consent.

AMENDMENTS TO THE DANAHARTA ACT

THE DANAHARTA ACT IS NOT EFFECTIVE, THEREFORE IT NEEDS TO BE AMENDED.

The Danaharta Act has been effective. It has facilitated and expedited Danaharta's acquisition of non-performing loans (NPLs) with gross value of almost RM50 billion from financial institutions within 18 months of Danaharta's establishment, and has enabled Danaharta to restructure viable loans, or foreclose on collateral and appoint Special Administrators over corporate borrowers to maximise recovery value.

Many international analysts who have conducted studies of Danaharta and other asset management companies (AMCs) in the region have concluded that effective legislative powers are the main contributing factor towards Danaharta's good recovery rates.

The amendments are to further clarify several provisions in the Danaharta Act and to address practical difficulties that have surfaced during Danaharta's three years of operations.

DANAHARTA IS OMNIPOTENT.

In normal circumstances, the powers given to Danaharta might seem to be wide and sweeping, but these are appropriate and necessary for a national asset management company like Danaharta. They reflect the special mission entrusted to Danaharta. As a matter of fact, Danaharta has less sweeping powers compared to other AMCs. For example, Danaharta does not have compulsory acquisition powers and has no power to confiscate borrowers' assets.

PREVENTING THE COURT FROM REVIEWING A DECISION MADE BY DANAHARTA AND GRANTING AN INJUNCTION AGAINST DANAHARTA CANNOT BE JUSTIFIED.

In the course of Danaharta's loan management efforts, it was discovered that some borrowers apply for injunctions against Danaharta, the Oversight Committee, Special Administrators or Independent Advisors merely as a delay mechanism, without any strong legal basis. Extra powers and protection are required to prevent such petty actions from hindering Danaharta's efforts in expediting the resolution of the NPL situation, and to ensure that taxpayers do not have to bear the costs of lengthy and expensive litigation.

Bear in mind that Danaharta has a limited life and these powers and protection will cease once Danaharta has completed its mission and is wound up. Without such protection against unwarranted litigation, such actions will simply delay the completion of its mission.

DANAHARTA'S POWERS ARE OPEN TO ABUSE.

Danaharta's corporate governance structure serves as an effective check and balance mechanism, for example:

- An independent nine-member Board of Directors, comprising a non-executive Chairman, a Managing Director, two representatives from the public sector, three representatives from the private sector and two from the international community.

- Appointments of Special Administrators require the approval of an independent Oversight Committee, comprising a representative each from the Ministry of Finance, Bank Negara Malaysia and the Securities Commission.

- Loan workout proposals prepared by Special Administrators are subject to a review by an Independent Advisor and require the approval of secured creditors.

- Our commitment and track record in transparency also serves as another check against abuse - it is difficult to abuse our powers and yet be transparent at the same time. Our efforts in being transparent, especially via timely disclosure of accurate information, have been acknowledged by the international community.

REDEMPTION OF BONDS ISSUED TO ACQUIRE NPLS

DANAHARTA HAS NO CASH TO REDEEM THE DANAHARTA BONDS THAT WERE ISSUED TO ACQUIRE NPLS.

As at 31 December 2001, Danaharta has received total cash proceeds of RM9.69 billion*. However, this amount includes the amount recovered from the BBMB Group and Sime Bank Group loans under management, as well as surplus recoveries on acquired loans. Danaharta has distributed on a cumulative basis RM7.98 billion of the RM9.69 billion cash received. After accounting for the total recovery proceeds that have been distributed, Danaharta has a balance of RM1.71 billion in cash recovery, part of which will be used to redeem the bonds.

* *This amount includes RM3.04 billion of cash realised from the conversion of non-cash assets as well as adjustment of RM0.94 billion.*

Calendar of Events 2001

10 JANUARY 2001 Danaharta attends IMF Asian meeting with Private Financial Markets in Singapore.

12 JANUARY 2001 Danaharta announces results of the fourth Property Tender.

2 FEBRUARY 2001 Danaharta appoints Special Administrators of Techno Asia Holdings and its subsidiary, Prima Moulds Manufacturing Sdn Bhd.

6 FEBRUARY 2001 Visit by Trans National Research Corporation, USA.

21 FEBRUARY 2001 Visit by Central Bank of Iran.

22 FEBRUARY 2001 Visit by Financial Intelligence Agency ("FIA").

28 FEBRUARY 2001 Danaharta presents paper on "Surviving Through the Crisis" at Asiamoney's "Best Managed Company" event in Singapore.

1 March 2001 Visit by Australian High Commission.

12 MARCH 2001 Danaharta attends the World Bank Asian Asset Management Forum roundtable discussion.

19 MARCH 2001 Danaharta briefs media and analysts on its Operations Report for the six months ended 31 December 2000.

22 MARCH 2001 Danaharta announces results on sale by tender for shares and warrants of Arus Murni Corporation Berhad.

28 MARCH 2001 Visit by Korea Department of Overseas Regional Economics.

30 MARCH 2001 Danaharta organises a one day seminar at the request of Thailand Asset Management Company and presents paper on "Danaharta: Lessons Learned".

6 APRIL 2001 Danaharta appoints Special Administrators of subsidiaries of Bridgecon Holdings Berhad.

17 APRIL 2001 Danaharta appoints Special Administrators of subsidiaries of NCK Corporation Berhad.

23 APRIL 2001 Danaharta issues 2000 annual report for the year ended 31 December 2000.

24 APRIL 2001 Danaharta offers Plaza Kelanamas for sale by tender.

27 APRIL 2001 Visit by Bear Stearns, USA.

30 APRIL 2001 Danaharta appoints Special Administrators of subsidiaries of Techno Asia Holdings.

8 MAY 2001 Danaharta issues quarterly report as at 31 March 2001.

Calendar of Events 2001

9 MAY 2001 Visit by Turkish Consulate.

14 MAY 2001 Danaharta attends US-Asean Business Council meeting at Ministry of Finance.

24 MAY 2001 Danaharta announces fifth tender of foreclosed properties.

30 MAY 2001 Danaharta announces appointment of Alliance Merchant Bank Berhad and Deutsche Bank (M) Berhad as joint financial advisers and lead managers in the securitisation of Danaharta's rehabilitated loans.

1 JUNE 2001 Visit by Dresdner Bank, Frankfurt.

25 JUNE 2001 Danaharta attends Thai AMC Act-In-Depth Analysis Seminar.

3 JULY 2001 Danaharta announces sale results of Plaza Kelanamas.

10 JULY 2001 Danaharta appoints Special Administrators of Soctek Sdn Bhd and Soctek Edible Oils Sdn Bhd.

13 JULY 2001 Visit by Indonesian Banking Restructuring Agency (IBRA).

18 JULY 2001 Visit by JP Morgan Chase, USA.

23 JULY 2001 Danaharta announces Dato' Azman Yahya's appointment as the new Chairman and Encik Abdul Hamidy Hafiz's appointment as the new Managing Director effective 1 August 2001.

Danaharta announces Dato' Azman Yahya's appointment as the new Chairman of Corporate Debt Restructuring Committee (CDRC) effective 1 August 2001.

31 JULY 2001 Danaharta announces results of the fifth property tender.

Visit by Nepal Rastra Bank, the central bank of Nepal.

9 AUGUST 2001 Visit by Manuel Roxas, Secretary of Trade & Industry of Philippines.

4 SEPTEMBER 2001 Danaharta briefs media and analysts on its Operations Report for the six months ended 30 June 2001.

19 SEPTEMBER 2001 Visit by Counselor of Economic Affairs of US Embassy.

Danaharta attends 20th Central Banking Course by Bank Negara Malaysia – 'The Role of Danaharta in Structural Reforms during the Asian Crisis'.

Calendar of Events 2001

20 SEPTEMBER 2001 Visit by Economic Secretary of British High Commission.

8-12 OCTOBER 2001 Danaharta presents papers on "Asset Management Company Set-up, Legal Issues and the Setting up of Danaharta", "Acquisition of NPLs", "Management of Assets" and "Progress of Danaharta, Critical Success Factors and the AMC Checklist" to Banking Regulation And Supervision Agency Of Turkey and major banks in Turkey.

10 OCTOBER 2001 Danaharta announces Mr David Moir's appointment to the Board of Directors, replacing Mr Eoghan M McMillan.

15 OCTOBER 2001 Danaharta appoints Special Administrators of five companies within the NCK Corporation Berhad Group – Ng Choo Kwan & Sons Hardware Sdn Bhd, NCK Wire Products Sdn Bhd, NCK Aluminium Extrusion Sdn Bhd, NCK Metal Sdn Bhd and Fook Chuan Trading Sdn Bhd.

18 OCTOBER 2001 Danaharta appoints Special Administrators of MGR Corporation Berhad.

30 OCTOBER – 2 NOVEMBER 2001 Danaharta attends South East Asian Central Banks Research and Training Center (SEACEN) Non-Performing Loans Resolution Seminar in Taiwan and presents paper on "The Danaharta Experience".

1 NOVEMBER 2001 Danaharta participates in 2nd NPL International Forum in Beijing, China and presents papers on "Danaharta experience and lessons to be learnt on NPL disposal" and "Asset Securitisation of Danaharta's Performing Loans".

9 NOVEMBER 2001 Danaharta issues quarterly report as at 30 September 2001.

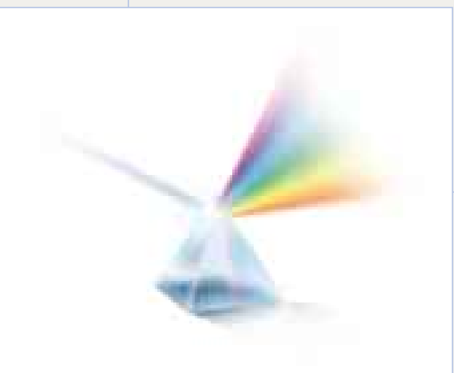
15 NOVEMBER 2001 Visit by British High Commission and Foreign & Commonwealth Office of United Kingdom.

20 NOVEMBER 2001 Danaharta briefs analysts and media on the launch of Asset Backed Securitisation.

21 NOVEMBER 2001 Danaharta appoints Special Administrators over six companies: Safire Pharmaceuticals (M) Sdn Bhd, Nitcom Sales & Services Sdn Bhd, Nitcom Technology Sdn Bhd, Tool Consult & Press Sdn Bhd, ToolShop Sdn Bhd, Matahari-TCP Sdn Bhd.

11 DECEMBER 2001 Danaharta announces the completion of the allocation of its asset-backed securities.

CORPORATE GOVERNANCE



Corporate Governance Report

Danaharta's Board of Directors (Board) and Senior Management endorse the Malaysian Code on Corporate Governance (Code), which was issued by the Finance Committee on Corporate Governance in March 2000. Danaharta's modus operandi and its use of public money require it to exercise a high level of transparency and objectivity. By supporting the Code, the Board recognises the need to conduct the group with integrity i.e. in a transparent and professional manner, and in line with international best practices.

To this end the Board has endorsed the Standards Business Conduct (SBC) document that sets high ethical business standards and practices for business conduct and the code of behavior for employees to adhere to. The SBC is supplemented by the Guidelines on Handling of Frauds, Defalcations, Breaches of the SBC and Misdemeanours. In addition to the SBC, all directors are required to adhere to the Directors' Code of Ethics.

The Board acknowledges and accepts full responsibility for the financial information contained in this annual report. A balanced, clear and meaningful assessment of Danaharta Group's financial positions and prospects is presented here in this and all other reports to the shareholders, investors and regulatory authorities. The Board subscribes to the philosophy of transparency, fair, reliable and easily understandable reporting to stakeholders. The half yearly Operations report and the quarterly announcements also reflect the Board's commitment to give updated assessments on Danaharta's performance. Danaharta also holds regular press announcements and press conferences, briefings to analysts and fund managers. All published information on Danaharta is also available on the company's website, www.danaharta.com.my.

Corporate Governance Report

The Board has made the necessary appointments to ensure that Danaharta's operations conform to its published missions to remove non-performing loan (NPL) distraction and to maximise recovery value and to the implementation of a sound system of internal control and for seeking regular assurance on its effectiveness. A system of internal control designed to manage, rather than eliminate the risk of failure to achieve Danaharta's objectives and which can only provide reasonable assurance against material misstatement or loss has been effected.

The Board's review of the effectiveness of system of internal control is informed mainly by the work of the internal auditors, the Audit Committee which oversees the work of the Internal Audit & Compliance division and comments made by the external auditors in their management letter and other reports. For the first time, the Board is also placing reliance on representations by Management on their self-assessment of the risk-based control system for their areas of responsibilities.

The Board, as guardians of Danaharta's loan and property assets, has a duty to ensure proper management and protection of these assets. To this end, a Risk Management Division co-ordinates the risk response and is the custodian for Danaharta's risk management policy, which clearly defines Danaharta's overall policy in handling the significant risks identified and the strategies to manage these risks. Line functions are responsible for establishing and implementing risk and control systems for their areas of responsibilities. A risk management process is in place during 2001 and up to the date of the approval of the 2001 annual report and financial statements. The system consists of: at the strategic level, the identification and analysis of principal risks by Management as part of the business planning and review process and at the operational level, the independent risk review of the loan management papers, asset management papers and investment proposal papers by the Risk Management Unit. Thus, this forms part of an ongoing process of managing business risks (recovery risk, credit risk, interest risk and valuation risk). Principal areas of risks are subject to reporting by Management and review by the Audit Committee and the Board.

The Audit Committee (Committee), seeks regular assurance on the effectiveness of the internal control system through independent appraisals by the auditors. Liaison and unrestricted communication exist between the Committee and the independent external auditors. The periodic review of Danaharta's business processes, principal risks, internal controls and all matters relating thereto is one of the functions of the Committee. The Audit Committee's report and its terms of reference provide a summary of the Committee's operations in the period.

Danaharta has an established Internal Audit & Compliance Division, which assists the Committee in the discharge of its duties and responsibilities. Its principal role is to provide assurance, through conducting independent appraisals, that:

- There is a sound internal control system to achieve Danaharta's objectives and to safeguard the shareholder's investment and Danaharta's assets; and
- The system is functioning adequately and its integrity is maintained.

The internal auditors operate to international standards defined in Danaharta's Internal Audit Charter and Internal Audit Manual. Their work is based on an analysis of the risks to which Danaharta's business activities are exposed, and audit plans are based on this analysis. Such audits also ensure that instituted controls are appropriate and effectively applied and will achieve acceptable risk exposures consistent with Danaharta's risk management policy. A review of the Internal Audit Division's operations is also provided in this annual report.

Corporate Governance Report

Danaharta has a strong and experienced Board, befitting the national asset management company's role as a major government agency set up to restructure the banking sector. The Board consists of the Managing Director and 8 non-executive directors comprising representatives from the Government (Ministry of Finance and Bank Negara Malaysia), private sector and international community with suitable qualifications and experience in relevant areas e.g. banking and property sectors. This brings depth and diversity in expertise and perspective to the leadership of Danaharta and allows for an independent and objective analysis of major issues.

All directors are appointed to the Board by the Minister of Finance as per Section 5 of the Pengurusan Danaharta Nasional Berhad Act 1998 (Danaharta Act). There are no long-term appointments of directors, all of whom are subject to review every three years.

The Managing Director, Encik Abdul Hamidy Hafiz does not have any voting rights and a clear division of responsibility exists between the Chairman and the Managing Director.

The Board is responsible for the policies and general affairs of Danaharta and retains full and effective control of the company. This includes responsibility for: determining Danaharta's general policies and strategies for the short, medium and long term; approving business plans, including targets and budgets; and making all major strategic decisions.

The Board Executive Committee (EXCO) acts as a sub committee of the Board and is primarily to assist the Board in discharging its primary role of overseeing Danaharta's operations. The EXCO conducts its functions as set out in their terms of reference.

The Remuneration Committee is responsible for making recommendations on the Company's framework of executive remuneration and for determining specific remuneration packages for the Managing Director and the General Manager, Internal Audit & Compliance. The Committee obtains advice from experts in compensation and benefits, both internally and externally. The Remuneration Committee conducts its duties as set out in its Terms of Reference.

Directors' emoluments are found in the relevant note to the financial statements as an aggregate sum, which is in conformance to the relevant legislation. The directors' emoluments consist of two components – an annual flat fee as a Board member and an allowance for attendance of meetings at a standard rate. These fees and allowances are recommended by the Board and approved by the Minister of Finance, Incorporated (as sole shareholder) at the Annual General Meeting (AGM).

GOVERNANCE

Terms of Reference of the Executive Committee (EXCO)

MEMBERSHIP

The EXCO, appointed by the Board of Directors, is made up of the Chairman, the Managing Director and one member each representing the Government and the private sector.

Meetings and reporting
Meetings are scheduled on a monthly basis, with additional meetings set as the need arises. There should be a quorum of at least 2 members.

The EXCO may invite any other person it deems fit to attend its meetings to provide additional assistance or information only. These persons may not take part in any decisions made by the EXCO.

The relevant information and schedules required for the meetings should be prepared by the various Heads of Divisions prior to the meetings.

The EXCO met 9 times in the period under review.

executive Committee

AUTHORITY

The EXCO, which acts as a sub-committee of the Board, has been authorised by the Board to assist the Board in overseeing the operations of Danaharta. The Board; may, from time to time, also confer additional powers to the EXCO to assist the Board in carrying out its roles and responsibilities.

FUNCTIONS

Included in the EXCO's functions to assist the Board of Directors are the following:

- Formulate the Danaharta Group's general policies and strategies which set out the direction of the Group for the short, medium and long term.
- Appoint the Danaharta Group's key management team which will translate the Board's general policies and strategies into detailed business plans.
- Review and assess the Danaharta Group's financial and operational performances through periodic feedback and reports from the Audit Committee and the management team.
- Review and assess the Danaharta Group's loan and asset portfolio management and ensure its consistency with the Danaharta Group's business policies and strategies.
- Approve major acquisitions and disposals within authority limits as set out in the Authority Manual.

Terms of Reference of the Remuneration Committee (RC)

MEMBERSHIP

The Board of Directors appoints at least three members to the RC from among the non-executive Directors of Danaharta being the Chairman and one member each representing the local private sector and the international community.

When the number falls below three for whatever reason the Board shall, within 3 months of that event, appoint such number of new members. The Board shall review the terms of office of the RC member at least once every three years.

MEETINGS AND REPORTING

The RC is only required to meet once annually in line with the current policy to revise remuneration of and declaration of bonus to its employees on an annual basis. There should be a quorum of at least 2.

The meeting shall be held after the annual statutory audit but prior to the approval of the financial statements by the Board and before the Annual General Meeting of Danaharta. However, special meetings can be convened at the request of the Managing Director.

The relevant information and schedules required for the annual meeting should be prepared by the management prior to the meeting.

The RC met 3 times in the period under review.

remuneration Committee

AUTHORITY

The RC, which acts as a sub-committee of the Board, has been authorised to assist the Board to provide an independent and unbiased review, assessment and determination of Danaharta's remuneration structure and policy.

The RC is also given the authority to investigate any matters within its terms of reference, the resources which it needs to do so, and full access to information.

FUNCTIONS

The main functions of the Remuneration Committee include:

- Provide an independent and unbiased review, assessment and determination of the Danaharta Group's remuneration structure and policy. This review encompasses all levels of employees, from the Managing Director to executive and clerical levels.
- Evaluate the Danaharta Group's annual remuneration revision and bonus.
- Review the Scheme of Service of the Danaharta Group as and when required and approve revisions to the Scheme, where necessary.
- Recommend fees and/or allowances for the non-executive members of the Board of Directors with appropriate consultation with any independent advisers (if required) and to be approved by the shareholder at the Annual General Meeting.
- Review, assess and determine the remuneration of the Managing Director and General Manager, Internal Audit and Compliance.

Terms of Reference of the Audit Committee (AC)

MEMBERSHIP

The Board of Directors appoints at least three members from among the non-executive Directors of Danaharta. The members of the AC shall elect a Chairman who shall be an independent Director.

When the number of members fall below three for whatever reason, the Board shall, within 3 months of that event, appoint new members as may be required to make up the minimum of 3 members. The Board shall review the terms of office of the AC member at least once every three years.

Meetings and reporting
Meetings shall be held at least twice a year. The General Manager, Internal Audit & Compliance (IAC) and external auditors may request a meeting if they consider that one is necessary.

The Managing Director, the General Manager, Finance & Services, the General Manager, IAC, representatives of the external auditors and other Board members may be invited to attend meetings of the AC. However, at least once a year the AC shall meet with the external auditors without the executive Board member present.

The Secretary of the AC shall circulate the minutes of meetings of the AC to all members of the Board.

AUTHORITY

The AC is authorised by the Board to investigate any activity within its Terms of Reference. It can seek any information it requires from any employee and all employees are directed to co-operate with any request made.

The AC is also authorised to obtain independent legal and professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

FUNCTIONS

The independence of the AC serves to implement and support the oversight function of the Board in the following ways:

- Review the external auditors' work plan to satisfy itself that the audit will meet the needs of Danaharta's Board of Directors and stakeholders.
- Review the external auditors' report and the annual financial statements and recommend them for acceptance by the Board of Directors.
- Review the external auditors' evaluation of the internal control systems and subsequently the implementation of the agreed improvements or rectification of the weaknesses highlighted.
- Consider the nomination of the external auditors' and their remuneration.
- Review and approve Danaharta's internal audit plans.
- Review the audit reports and internal audit work through the quarterly performance reporting by the IAC on the implementation and execution of the approved internal audit plans, follow-up of the agreed actions and the performance of the IAC.
- Review the compliance report in areas relating to the monitoring and review of control procedures.

Audit Committee (AC) Report

The objective of the AC is to maintain and enhance public confidence in the credibility and objectivity of the Board and Management of Danaharta.

MEMBERSHIP AND MEETINGS

- Y.Bhg. Dato' Ho Ung Hun *(Chairman)*
- Y.Bhg. Dato' Mohd Salleh Hj Harun
- Mr Alister T.L. Maitland

Danaharta's General Manager, Internal Audit and Compliance (IAC) acts as Secretary to the AC.

The AC had four meetings in the period, three of which were attended by all members. The Managing Director, GM, Finance & Services, Director, Operations and GM, Risk Management attended all meetings.

The Group's external auditors attended three meetings during the period including one without the presence of the Board executive member.

audit Committee

SUMMARY OF ACTIVITIES

During the period, the AC carried out its functions as set out in the terms of reference on page 96. Some of the main issues discussed were:

- the new accounting standards applicable to the consolidated financial statements for the year ended 31 December 2001;
- provision of diminution in property values;
- repurchase of own bonds and bond liability;
- investment strategy: private debt securities;
- income from share recoveries and recognition of interest income.

The AC is supported by a well-established IAC Division. A review of the Division's activities is set out on page 42.

In 2001, an AC and a separate internal audit department were set up for subsidiary company TTDI Development Sdn Bhd.

Statement on Internal Control

As Danaharta's Board of Directors (Board), our primary role is to oversee Danaharta's operations by providing general guidance on direction and policies. We therefore acknowledge our responsibility for maintaining a sound system of internal control and for seeking regular assurance on the adequacy and integrity of the internal control system to safeguard our shareholder's investment and the company's assets. To this end, the Board has set policies on risks and control and delegated the responsibility for implementation of these policies to Management and the responsibility to provide oversight on reviewing the adequacy and integrity of the internal control system to the Audit Committee. In turn the Audit Committee seek assurance on the adequacy and integrity of the internal control system through independent appraisals by internal and external auditors and self-appraisals by management and their staff.

The Board strongly believes that Management has effected a system of internal control designed to manage, rather than eliminate, the risk of failure in achieving the following objectives. Such a system provides only reasonable and not absolute assurance against material misstatement and loss.

1. Complete resolution of non-performing loans (NPL) (excluding the newly acquired NPLs in 2001) by end December 2001;

2. Maximize recovery rate through quality resolutions;

3. Maximize cash collections from restructured loans and minimize default;

4. Optimize proceeds from sale of foreclosure and proprietary assets (property and securities);

5. Optimize yield from investment of surplus funds.

All the above objectives are in support of Danaharta's primary objectives of maximizing recovery value to enable Danaharta to fully redeem its bonds to minimize shareholder's contingent liability at cessation.

RISK MANAGEMENT

There is an ongoing process for identifying, evaluating and managing significant risks faced by Danaharta – the Board formally endorsed a risk management policy in 2000. This process was in operation throughout 2001 and up to the date of the approval of the 2001 Annual Report and Financial Statements.

There is a risk management framework for identifying, evaluating, reviewing and addressing the principal risks in Danaharta to safeguard shareholder's investment and the company's assets. To this end, a Risk Management Division co-ordinates the risk response and is the custodian for Danaharta's risk management policy, which clearly defines Danaharta's overall policy in handling the significant risks identified and the strategies to manage these risks. Line functions are responsible for establishing and implementing risk and control systems for their areas of responsibilities.

The risk management system is at two levels namely strategic and operational. At the strategic level this involves the identification and analysis of principal risks by Management as part of the business planning and review process. At the operational level, the Risk Management Division is responsible for conducting the independent risk reviews of the loan management papers, asset management papers and investment proposal papers before submission for approval by the relevant Management and/or Board Committees. The Division is required to conduct these reviews in an effective and efficient manner to provide reasonable independent assurance that significant and pertinent risk issues have been appropriately addressed in the relevant proposal papers. Thus, this forms part of an ongoing process of managing business risks (recovery risk, credit risk, interest risk and valuation risk). Principal areas of risks are subject to reporting by Management and review by the Audit Committee and the Board.

INTERNAL CONTROL

Danaharta's internal control system is based on a clear definition of responsibility and delegation of authority to a number of Board and Management Committees. The roles and responsibilities for these committees are defined in their terms of references and their authority are spelt out in the Authority Manual. The terms of reference and Authority Manual are periodically reviewed to reflect the relevancy and practice.

Throughout 2001, policies and procedures for almost all the business and support activities are available for implementation and have been developed and documented for new activities. There is also an ongoing review to update the existing policies and procedures to reflect current practices.

Controls for specific activities are as follows:

Operations
There is a structured and well-defined line of approving authorities for all loan workout proposals, which are subject to independent risk reviews. Guidelines exist for loan restructuring and loan recovery.

Property
A property protection policy was put in place and comprises adequate insurance coverage, security guards to provide physical security and the appointment of agents provided under legislation e.g. Special Administrators and Receivers & Managers.

Realisation of Proprietary Assets
The risk of non-maximisation of realisation proceeds is managed through a valuation review of loan assets. Decisions in respect of the realisation of proprietary assets are reviewed and approved by the appropriate authorities.

Loan Restructuring Failures
There is a post-approval implementation system to monitor and report on the progress of loan recovery and defaults. This is to ensure that agreed loan workouts are implemented promptly and defaults detected early for appropriate actions to be taken. The Management Credit Committee (MCC) conducts regular reviews of default accounts.

Performance of Service Providers
A system to pre-qualify service providers onto Danaharta's panel and monitoring their performance and quality of service.

The system of internal control is also based on a framework of regular management information, administrative procedures including a system of clear definition of roles and responsibilities. In particular it included:

- A comprehensive collections budgeting process with an annual plan approved by the Board. The business results are reported monthly and compared to the plan. Forecasts are prepared annually and reviewed regularly throughout the year. Danaharta announces its business results through its published half-yearly Operations Report and the Annual Report;

- Employees conduct their work activities in accordance with clearly defined approved policies and procedures that meet international standards as defined in the various policy and procedures manuals. This includes the Standard Business Conduct (SBC) policy document that sets high ethical business standards and practices for business conduct and the code of behavior for employees to adhere to. The SBC is supplemented by the Guidelines on Handling of Frauds, Defalcations, Breaches of the SBC and Misdemeanors;

Statement on Internal Control

- Divisions set their divisional objectives, which are aligned, to the above Danaharta's objectives. Individuals are also set individual objectives, which are aligned, to the divisional objectives. Work activities are supervised and the performance are monitored and evaluated i.e. actual results against the agreed targets/objectives;

- Regular (monthly) reporting and review of performance of loan restructuring and management activities at the MCC[1], disposal and sale of property at the AMC[2], investment and disposal of securities at the ALCO[3] and the overall business performance at the Management Executive Committee (MEC).

ASSURANCE

The Board's review on the effectiveness of Danaharta's internal control system is informed mainly by the Audit Committee which overseas the work of the Internal Audit & Compliance division, the work of the internal auditors and comments made by the external auditors in their management letter and other reports. For the first time, the Board is also placing reliance on representations by Management on their self-assessment of the internal control system for their areas of responsibilities.

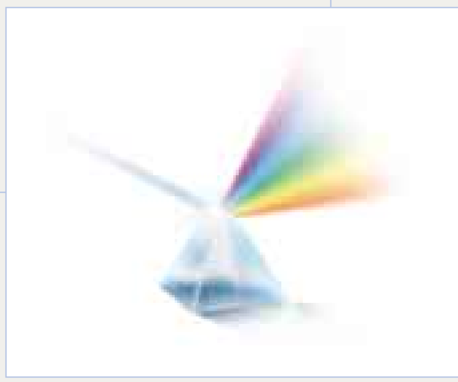
Internal Audit & Compliance (IAC) Division carries out internal audit of Danaharta's Group of Companies. They operate to standards defined in the Internal Audit Charter and Internal Audit Manual. The work of the IAC Division is informed by an analysis of the risks to which Danaharta's business processes and activities are exposed, and internal audit plans are based on this analysis. IAC provides quarterly Internal Audit & Compliance Summary Reports, which provide an opinion on the state of internal control in terms of the adequacy and effectiveness of Danaharta's system of internal controls to achieve its objectives.

CONCLUSION

The Board of Directors is aware that there is no compulsion for Danaharta to provide a statement of internal control but recognizes the need to do so to demonstrate transparency and objectivity in accordance with international best practices.

1 *MCC – Management Credit Committee*
2 *AMC – Asset Management Committee*
3 *ALCO – Assets & Liability Committee*

FINANCIAL STATEMENTS



The Directors have pleasure in submitting their report with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2001.

BACKGROUND

The Company is a public company incorporated under the Companies Act, 1965. It is wholly owned by the Minister of Finance Incorporated.

The Company was established by the Government of Malaysia in 1998 to act as the national asset management company. Its objectives are to remove the distraction of managing non-performing loans ('NPLs') from financial institutions and maximise the recovery value of acquired assets. Given the non-performing nature of assets which are acquired, national asset management companies generally do not have the long term prospect of making profits. However, the Directors will pursue the objective of maximising recovery value for assets within the Company's portfolio. This will result in a minimisation of losses incurred over the long term.

The Pengurusan Danaharta Nasional Berhad Act 1998 which came into effect on 1 September 1998, confers onto the Company the necessary powers to assist it to achieve its objective. Through this Act the Company has the ability to acquire assets with certainty of title and the ability to appoint Special Administrators to manage the affairs of corporate borrowers.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of acquiring and managing NPLs from financial institutions.

The principal activities of the Company's subsidiary companies are stated in Note 12 to the accounts.

There have been no significant changes in these principal activities during the financial year except that two of the subsidiaries, Danaharta Perhotelan Sdn Bhd and Securita ABS One Berhad (formerly known as Danaharta Bina Sdn Bhd) commenced operations during the year.

FINANCIAL RESULTS

	Group RM´000	Company RM´000
Loss after taxation	305,786	368,466
Minority Interest	173	—
Net loss for the year	305,959	368,466

DIVIDENDS

There were no dividends paid or declared by the Company during the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year other than those disclosed in the financial statements and notes to the financial statements.

SHARE CAPITAL

The Company has not issued any new shares during the financial year.

DIRECTORS OF THE COMPANY

The Directors of the Company who have held office during the financial year since the date of the last report are:

Dato' Mohamed Azman Yahya	
Husniarti Tamin	
Dato' Mohd Salleh Hj Harun	
Dato' Ho Ung Hun	
Dato' N. Sadasivan	
Dato' Mohamed Md Said	
Alister T.L. Maitland	
David Moir	*(appointed 5.10.2001)*
Abdul Hamidy Abdul Hafiz	*(appointed 1.8.2001)*
Eoghan Murray McMillan	*(resigned 1.7.2001)*
Raja Tun Mohar Raja Badiozaman	*(resigned 1.8.2001)*

One of the Directors, Dato' Ho Ung Hun is over 70 years of age. In accordance with S129(2) of the Companies Act, 1965, he will retire as Director in the forthcoming Annual General Meeting but is eligible for re-appointment subject to the approval of the shareholders pursuant to Section 129(6) of the Companies Act, 1965.

DIRECTORS´ BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than directors' remuneration as disclosed in 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, none of the Directors in office at the end of the financial year held any interests in the shares of the Company or its related corporations during the financial year.

ACQUIRED ASSETS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that actions had been taken in assessing the write-offs against and provisions for acquired assets. Based on this assessment, as at 31 December 2001, other than the provision for diminution in acquired assets as disclosed in note 9, there were no other write-offs against nor provisions for acquired assets.

At the date of this report, the Directors are not aware of any circumstances which would render the carrying value of acquired assets in the financial statements of the Group and of the Company impaired to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- to ascertain that proper 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 had been written off and that adequate allowance had been made for doubtful debts; and

CURRENT ASSETS (CONTINUED)

- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

VALUATION METHODS

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

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

CONTINGENT AND OTHER LIABILITIES

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 affect the ability of the Group or 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 or Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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 and of the Company for the current financial year in which the report was made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 April 2002.

DATO' MOHAMED AZMAN YAHYA
Chairman

ABDUL HAMIDY ABDUL HAFIZ
Managing Director

Kuala Lumpur

Income Statements
for the financial year ended 31 December 2001

	Note	Group 31.12.2001 RM'000	Group 31.12.2000 RM'000	Company 31.12.2001 RM'000	Company 31.12.2000 RM'000
Revenue	4	**577,831**	452,436	**333,490**	317,800
Cost of Sales		**(120,696)**	(6,913)	**—**	—
Gross profit		**457,135**	445,523	**333,490**	317,800
Other Income	3(d)	**11,115**	7,940	**6,029**	6,882
Overhead expenses	5	**(73,206)**	(44,289)	**(44,505)**	(41,769)
Provision for diminution in acquired assets	6	**(150,250)**	(105,954)	**(105,948)**	(97,954)
Profit from operations		**244,794**	303,220	**189,066**	184,959
Finance Cost	7	**(557,644)**	(597,398)	**(557,532)**	(597,177)
Share of losses of associated companies		**(213)**	(1)	**—**	—
Goodwill written-off		**—**	(480)	**—**	—
Loss before taxation		**(313,063)**	(294,659)	**(368,466)**	(412,218)
Taxation	8	**7,277**	(697)	**—**	—
Loss after taxation		**(305,786)**	(295,356)	**(368,466)**	(412,218)
Minority interest		**(173)**	(105)	**—**	—
Net loss for the year		**(305,959)**	(295,461)	**(368,466)**	(412,218)

The notes on pages 111 to 134 form an integral part of these financial statements.

Balance Sheets
as at 31 December 2001

	Note	Group		Company	
		31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
NON-CURRENT ASSETS					
Acquired assets	9	**7,343,397**	8,267,091	**7,229,478**	8,237,055
Investment properties	10	**67,494**	31,851	**—**	—
Property, plant and equipment	11	**11,588**	14,958	**5,742**	8,768
Investment in subsidiary companies	12	**—**	—	**3,250**	3,000
Investment in associated companies	13	**64,542**	64,755	**—**	—
		7,487,021	8,378,655	**7,238,470**	8,248,823
CURRENT ASSETS					
Inventories		**42,292**	1,248	**—**	—
Property development expenditure	14	**136,362**	192,400	**—**	—
Trade and other receivables	15	**88,217**	93,650	**502,270**	379,073
Investment in marketable securities	16	**787,565**	531,907	**787,521**	531,843
Other investment	17	**1,483,944**	—	**1,483,944**	—
Cash and cash equivalents	18	**1,870,015**	2,593,562	**1,533,093**	2,502,831
		4,408,395	3,412,767	**4,306,828**	3,413,747
LESS: CURRENT LIABILITIES					
Provisions		**50,065**	40,403	**19,212**	11,987
Trade and other payables	19	**296,776**	276,453	**269,523**	414,118
Taxation		**522**	5,029	**—**	—
Short-term borrowings	20	**—**	526	**—**	—
		347,363	322,411	**288,735**	426,105
NET CURRENT ASSETS		**4,061,032**	3,090,356	**4,018,093**	2,987,642
LESS: NON-CURRENT LIABILITIES					
Deferred Taxation	21	**5,054**	8,123	**—**	—
Redeemable guaranteed zero-coupon bearer bonds	22	**8,579,871**	8,215,923	**8,579,871**	8,215,923
Long term loans	23	**874,724**	850,108	**874,724**	850,108
Joint venture	24	**973**	1,443	**—**	—
		9,460,622	9,075,597	**9,454,595**	9,066,031
		2,087,431	2,393,414	**1,801,968**	2,170,434
CAPITAL AND RESERVES					
Share capital	25	**3,000,000**	3,000,000	**3,000,000**	3,000,000
Reserves		**(912,984)**	(607,025)	**(1,198,032)**	(829,566)
Shareholders' equity		**2,087,016**	2,392,975	**1,801,968**	2,170,434
Minority interest		**415**	439	**—**	—
		2,087,431	2,393,414	**1,801,968**	2,170,434

The notes on pages 111 to 134 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2001

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1.1.2001	3,000,000	(607,025)	2,392,975
Net loss for the year	—	(305,959)	(305,959)
Balance as at 31.12.2001	**3,000,000**	**(912,984)**	**2,087,016**
Balance as at 1.1.2000	1,500,000	(311,564)	1,188,436
Issued during the year	1,500,000	—	1,500,000
Net loss for the year	—	(295,461)	(295,461)
Balance as at 31.12.2000	3,000,000	(607,025)	2,392,975

The notes on pages 111 to 134 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the financial year ended 31 December 2001

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1.1.2001	3,000,000	(829,566)	2,170,434
Net loss for the year	—	(368,466)	(368,466)
Balance as at 31.12.2001	**3,000,000**	**(1,198,032)**	**1,801,968**
Balance as at 1.1.2000	1,500,000	(417,348)	1,082,652
Issued during the year	1,500,000	—	1,500,000
Net loss for the year	—	(412,218)	(412,218)
Balance as at 31.12.2000	3,000,000	(829,566)	2,170,434

The notes on pages 111 to 134 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2001

	Note	31.12.2001 RM'000	31.12.2000 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss after taxation		**(305,786)**	(295,356)
Adjustments for:			
Depreciation		**4,731**	4,032
Interest expense accrued		**557,529**	597,148
Interest income accrued		**(163,467)**	(77,204)
Gain on sale of property, plant and equipment		**(107)**	—
Amortisation of premium		**1,474**	816
Gain on disposal of marketable securities		**(1,068)**	(5,454)
Provision for diminution in acquired assets		**150,250**	105,954
Inventories written-down		**9,761**	8
Investment in marketable securities written-down		**20**	—
Allowance for doubtful debts		**714**	—
Share of losses of associated companies		**213**	—
Goodwill written-off		**—**	480
Operating profit before working capital changes		**254,264**	330,424
Movements in operating assets and liabilities:			
Acquired assets		**773,444**	(86,190)
Other assets		**(16,048)**	(6,494)
Redeemable guaranteed zero-coupon bearer bonds		**(128,853)**	167,620
Other liabilities		**22,102**	204,553
Net cash from operating activities		**904,909**	609,914
CASH FLOW USED IN INVESTING ACTIVITIES			
Acquisition of subsidiary		**—**	(226,660)
Acquisition of associated company		**—**	(64,700)
Purchase of marketable securities		**(286,707)**	(396,173)
Purchase of other investment		**(1,741,829)**	—
Purchase of property, plant and equipment		**(1,394)**	(1,341)
Proceeds from sale of marketable securities		**52,788**	147,110
Proceeds from sale of other investment		**324,500**	—
Proceeds from sale of property, plant & equipment		**140**	309
Interest received		**64,595**	59,003
Net cash used in investing activities		**(1,587,907)**	(482,452)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		**—**	1,500,000
Proceeds from long-term loans		**—**	—
Interest paid		**(40,122)**	(95,429)
Payment of borrowings		**(760)**	(500,000)
Advances to joint venture company		**333**	—
Net cash (used in)/from financing activities		**(40,549)**	904,571
Net increase in cash and cash equivalents		**(723,547)**	1,032,033
Cash and cash equivalents at beginning of year		**2,593,562**	1,561,529
Cash and cash equivalents at end of year	18	**1,870,015**	2,593,562

The notes on pages 111 to 134 form an integral part of these financial statements.

Company Cash Flow Statement

for the financial year ended 31 December 2001

	Note	31.12.2001 RM'000	31.12.2000 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss after taxation		**(368,466)**	(412,218)
Adjustments for:			
Depreciation		**3,497**	3,550
Interest expense accrued		**557,417**	597,148
Interest income accrued		**(146,669)**	(77,204)
Amortisation of premium		**1,474**	816
Gain on disposal of marketable securities		**(1,068)**	(5,454)
Provision for diminution in acquired assets		**105,948**	105,954
Operating profit before working capital changes		**152,133**	212,592
Movements in operating assets and liabilities:			
Acquired loans		**901,629**	(56,154)
Other assets		**(129,028)**	(351,235)
Redeemable guaranteed zero-coupon bearer bonds		**(128,853)**	167,620
Other liabilities		**(137,480)**	379,583
Net cash from operating activities		**658,401**	352,406
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of marketable securities		**(286,707)**	(396,173)
Purchase of other investment		**(1,741,829)**	—
Purchase of property, plant and equipment		**(472)**	(845)
Proceeds from sale of marketable securities		**52,788**	147,110
Proceeds from sale of other investment		**324,500**	—
Proceeds from sale of property, plant and equipment		**1**	266
Investment in subsidiary companies		**(250)**	(1,000)
Interest received		**63,720**	59,003
Net cash used in investing activities		**(1,588,249)**	(191,639)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		**—**	1,500,000
Proceeds from long-term loans		**—**	—
Interest paid		**(39,890)**	(95,429)
Payment of borrowings		**—**	(500,000)
Net cash (used in)/from financing activities		**(39,890)**	904,571
Net (decrease)/increase in cash and cash equivalents		**(969,738)**	1,065,338
Cash and cash equivalents at beginning of year		**2,502,831**	1,437,493
Cash and cash equivalents at end of year	18	**1,533,093**	2,502,831

The notes on pages 111 to 134 form an integral part of these financial statements.

1. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of acquiring and managing non-performing loans (‘NPLs’) from financial institutions with a view of maximising recovery values. The principal activities of the Company´s subsidiary companies are stated in Note 12 to the accounts.

There have been no significant changes in these principal activities during the financial year except that Danaharta Perhotelan Sdn Bhd and Securita ABS One Berhad (formerly known as Danaharta Bina Sdn Bhd) commenced operations. The Company is incorporated and domiciled in Malaysia.

The number of employees at the end of the financial year amounted to 479 (2000: 428) employees in the Group and 228 (2000: 207) employees in the Company.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and it is wholly owned by the Minister of Finance Incorporated.

The address of the registered office of the Company is Tingkat 10, Bangunan Setia 1, 15 Lorong Dungun, Bukit Damansara, 50490 Kuala Lumpur, Malaysia.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2001 except for those subsidiary companies as disclosed in Note 12 to the financial statements. All material inter-company transactions have been eliminated on consolidation.

(c) Revenue Recognition

(i) Interest income
Interest income on acquired loans is recognised on a receipt basis. All other interest income is recognised on an accrual basis. The income accreted from investments in own bonds is netted-off against the finance cost of the bonds.

(ii) Income from recoveries of acquired loans
Upon the recovery of an acquired loan by the Company, any surplus obtained from the consideration received on recovery against the consideration paid on acquisition of the loan (Fair Purchase Price) will be shared between the selling financial institution and the Company on a predetermined basis, after deducting the Company’s direct and holding costs. The Company’s holding costs are calculated based on Malayan Banking Berhad’s Base Lending Rate.

In the event that the Company suffers a loss on the recovery of an acquired loan, that loss is immediately recognised in the Company’s financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue Recognition (continued)

(iii) Management fee income
Management fee income represents fee income earned on the management of assets by the Company's subsidiaries. The fee income is earned on recovery of the assets under management and as such is recognised on a receipt basis.

(iv) Income from property development
Income from property development is recognised using the percentage of completion method. Where foreseeable losses are anticipated, full provision for these losses is made in the financial statements.

(v) Sale of properties are recognised upon full settlement and full compliance of the terms and conditions in the sales and purchase agreement.

(vi) Rental income is recognised on accrual basis in accordance with tenancy agreement.

(d) Other income

Other income represents income derived from tender fees, fees on provision of financing facilities, other investment income and any other income recognised on inception of such transactions.

(e) Acquired loans

Acquired loans comprise acquired non-performing loans, advances and financing.

The Fair Purchase Price of acquired secured loans is based on the fair value of the collateral on which the loans are secured, subject to a minimum value of 10% of the principal outstanding:

(i) Properties
Properties are valued by a panel of independent professional valuers.

(ii) Shares
Shares are either valued internally or by professional advisers based on general valuation principles.

The Fair Purchase Price of acquired unsecured loans is determined at 10% of the principal outstanding.

The carrying value of an acquired loan is its Fair Purchase Price less provision and repayment.

(f) Provisions for acquired loans

<u>Secured acquired loans</u>
Specific provisions are made for the shortfall in value between the value of the collateral and the carrying value of the acquired loan.

<u>Unsecured acquired loans</u>
Specific provisions are made against the carrying value of unsecured acquired loans when, in the opinion of the Directors, credit risks or economic or political factors make recovery doubtful.

(g) Acquired properties

The investment in acquired properties is stated at the consideration paid by Danaharta Hartanah Sdn Bhd and Danaharta Perhotelan Sdn Bhd to acquire the properties. Diminution in value will be provided when the sales price or revised valuation performed by external valuers is lower than the carrying value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property development expenditure

Properties under development comprising land and development expenditure are stated at cost plus attributable profit less foreseeable losses, net of progress billing. Development expenditure includes interest expense on loans and advances utilised to finance on-going development.

(i) Investment properties

Investment properties principally comprising leasehold land and building, are held for long term rental yields. Investment properties are treated as long term investments and stated at valuation. The Group revalues its long term investments every five years.

Any surplus arising from revaluation is dealt with in the investment revaluation reserve. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase from the same investment. In all cases, a decrease in the carrying amount is charged to the income statement. On disposal of the investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(j) Investment in subsidiary companies

A subsidiary company is a company in which the Company controls the composition of its board of directors or more than half of its voting power, or holds more than half of its issued ordinary share capital, by which, the Company has power to exercise control over the financial and reporting policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting. Investments in subsidiary companies are stated at cost, and written down when the directors consider that there is a permanent diminution in the value of such investments.

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.

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.

(k) Property, plant and equipment

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

Freehold land, building in progress and renovations in progress are not depreciated. Depreciation of other property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates of depreciation are as follows:

Office equipment and furniture and fittings	10% – 33⅓%
Computer equipment and software	33⅓%
Motor vehicles	25%
Leasehold land and buildings	2%
Car park equipment	20%
Office renovation	10%

When an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Gain and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Issued zero-coupon bonds and fixed rate long term loan

The carrying value of the redeemable guaranteed zero-coupon bearer bonds issued by the Company is the nominal value of the bonds less the unamortised discount. The discount on the bonds is amortised on a straight-line basis over the duration of the bond.

The carrying value of the fixed rate long term loan from Khazanah Nasional Berhad is the principal amount upon drawdown plus the accrued interest charge on the loan. As the total interest charge is predetermined, the interest on the loan is accrued on a straight-line basis over the duration of the loan.

The carrying value of the fixed rate long term loan from Employees Provident Fund ('EPF') is the principal amount upon drawdown. Interest on the loan is accrued on a monthly basis and paid to EPF on a semi-annual basis.

(m) Investment in marketable securities

The carrying value of the Company's investment in its own bonds and other zero-coupon bonds is the cost of purchase plus the accretion of discount to maturity on a straight-line basis. The carrying value of the Company's investment in its own bonds is shown as a deduction of the Company's liabilities. The carrying value of the Company's investment in marketable securities are valued at cost of purchase plus the accretion of discount less amortisation of premium.

(n) Foreign currency

Foreign currency translations in Group Companies are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. 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.

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

Foreign Currency	**31.12.2001**	31.12.2000
1 USD	**3.800**	3.800
1 SGD	**2.060**	2.191
100 JPY	**2.887**	3.321

(o) Investment in associated companies

Associated companies are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies. Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising in the income statement the Group's share of the results of associated companies for the period. The Group's investments in associated companies are carried in the balance sheet as an amount that reflects its share of the net assets of the associated companies and includes goodwill on acquisition.

Unrealised gains and losses on transactions between group companies and associated companies have been eliminated to the extent of the Group's interest in the associated companies unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments have been made to the financial statements of associated companies to ensure consistency of accounting policies with the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Jointly controlled entities

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

(q) Accounting for 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 estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

The property, plant and equipment acquired under finance lease contracts is depreciated over the useful life of the asset.

(r) Deferred taxation

Provision is made using the liability method of taxation deferred by timing differences except where the tax effects of such timing difference are expected to be deferred indefinitely.

Deferred tax benefits are recognised only if there is reasonable expectation of their realisation.

(s) 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.

(t) Inventories

Completed properties held for resale are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis and includes land, all direct building costs, interest charges relating to the financing of the development and other related development costs.

(u) Trade Receivables

All known bad debts are written off and specific allowance is made for all known doubtful debts.

(v) Capitalisation of borrowing costs

Borrowing costs incurred on capital work-in-progress, properties under development and gross amount due from contract customers are capitalised. Exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to the interest costs, are also capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Capitalisation of borrowing costs (continued)

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific capital work-in-progress, property under development or gross amount due from contract customers, in which case the actual borrowing costs incurred on that borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

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

(w) Provisions

Provisions are recognised when the Group has a present legal or contractual 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.

4. REVENUE

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
Interest income from acquired loans	**165,070**	197,029	**165,070**	197,029
Interest income on deposits and placements	**61,100**	75,238	**44,302**	66,525
Interest income on marketable securities	**34,279**	9,863	**34,279**	9,863
Interest income from other investment	**66,614**	—	**66,614**	—
Income from recoveries on acquired loans	**23,225**	44,383	**23,225**	44,383
Revenue from acquired properties	**66,420**	—	**—**	—
Revenue from property development	**80,454**	9,111	**—**	—
Management fee income	**80,669**	116,812	**—**	—
	577,831	452,436	**333,490**	317,800

5. OVERHEAD EXPENSES

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
Personnel costs	**36,665**	27,045	**29,687**	26,156
Establishment costs	**6,243**	4,208	**5,383**	4,137
Administration and general expenses	**30,298**	13,036	**9,435**	11,476
	73,206	44,289	**44,505**	41,769

5. OVERHEAD EXPENSES (CONTINUED)

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
The above expenditure includes the following expenses:				
Auditors' remuneration				
– Statutory audit	**307**	218	**120**	120
– Other services	**—**	20	**—**	—
Directors' remuneration (Note 26)	**1,442**	1,220	**1,442**	1,206
Depreciation	**4,731**	4,032	**3,497**	3,550
Rental of premises	**2,344**	2,388	**2,344**	2,345
Hire of equipment	**445**	381	**403**	378
Property, plant and equipment written-off	**—**	8	**—**	—
Share of (profit)/loss of joint venture	**(274)**	11	**—**	—
Allowance for doubtful debts	**714**	158	**—**	—
Expenditure carried forward written-off	**—**	40	**—**	—
Write-down of inventories	**9,761**	—	**—**	—
Write-down of investment in marketable securities	**20**	—	**—**	—
Management fee	**48**	48	**—**	—

6. PROVISIONS FOR DIMINUTION IN ACQUIRED ASSETS

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
As at 1 January	**105,954**	—	**97,954**	—
Charged to income statement	**150,250**	105,954	**105,948**	97,954
As at 31 December	**256,204**	105,954	**203,902**	97,954

During the year, certain foreclosed properties, which had undergone the Tender Process, were sold at less than their respective Fair Purchase Price ('FPP'). This shortfall was provided for against Acquired Loans as the loan rights of the corresponding loans are still outstanding. For unsold properties, provision were made for any shortfall between the carrying value and the revised valuation performed by external valuers.

7. FINANCE COST

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
Bank charges	**115**	30	**115**	30
Long term loan interest expense	**64,616**	86,418	**64,616**	86,418
Amortisation of discount on zero-coupon bonds	**492,801**	510,729	**492,801**	510,729
Interest on short-term borrowings	**112**	221	**—**	—
	557,644	597,398	**557,532**	597,177

8. TAXATION

	Group	
	31.12.2001 RM'000	31.12.2000 RM'000
Income tax		
– current year	**110**	562
– underprovision in prior year	**—**	6
– overprovision in prior year	**(4,319)**	—
Deferred tax		
– current year (reversal)/charge	**(3,068)**	129
	(7,277)	697

9. ACQUIRED ASSETS

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
Acquired loans	**7,229,478**	8,237,055	**7,229,478**	8,237,055
Acquired properties	**113,919**	30,036	**—**	—
	7,343,397	8,267,091	**7,229,478**	8,237,055

Provision for diminution of RM256 million as disclosed in Note 6 is made up of provision against acquired loans of RM204 million (2000: RM98 million) and against acquired properties of RM52 million (2000: RM8 million).

9. ACQUIRED ASSETS

Acquired loans are analysed by economic sector as follows:

	Loan Rights Acquired		Carrying Value	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
Agriculture, hunting, forestry and fishing	**258,059**	258,059	**148,765**	155,036
Manufacturing	**1,771,301**	1,780,260	**412,524**	548,386
Electricity, gas and water	**3,762**	3,762	**—**	486
Wholesale, retail, restaurants and hotels	**913,626**	913,626	**402,705**	441,166
Construction	**6,216,138**	6,484,701	**3,650,893**	3,857,322
Purchase of residential property	**992,553**	992,553	**611,220**	740,747
Real Estate	**1,426,297**	1,426,297	**876,269**	892,280
Transport, storage and communications	**126,565**	126,565	**6,733**	20,651
Financing, insurance and business services	**2,429,675**	2,429,675	**321,572**	703,086
Consumption credit	**226,178**	226,178	**29,741**	41,294
Purchase of securities	**1,441,475**	1,734,453	**570,345**	579,637
Mining	**368,061**	368,061	**83,190**	88,390
Others	**3,649,214**	3,649,214	**115,521**	168,574
	19,822,904	20,393,404	**7,229,478**	8,237,055

Included in 'Others' are loan rights outstanding totalling RM3,088 million which were acquired for a nominal value of RM4. This relates to financing extended to a holding company which invested in a company engaged in primary industry outside Malaysia. The classification of these loans as 'Others' was determined by the Company in view of the fact that they cannot be easily categorised to any of the specific sectors. In substance, these loans are being managed by the Company and a substantial proportion of any gains from the recoveries of these loans will accrue to the selling financial institutions. The above economic sector classifications are as defined by Bank Negara Malaysia and as determined by the selling financial institution, other than the acquired loans as described in the preceding paragraph.

10. INVESTMENT PROPERTIES

	Group	
	31.12.2001 RM'000	31.12.2000 RM'000
At cost		
Long term leasehold land	**29,750**	29,750
Buildings	**37,744**	2,101
	67,494	31,851

11. PROPERTY, PLANT AND EQUIPMENT

GROUP 2001	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicle RM'000	Computer equipment and software RM'000	Leasehold land and building RM'000	Car Park equipment RM'000	Office renovation RM'000	Total RM'000
Cost								
As at 1 January 2001	8,243	6,325	5,831	3,424	2,935	535	271	27,564
Additions	49	319	176	140	—	589	121	1,394
Disposals	—	(2)	(348)	(13)	—	—	—	(363)
As at 31 December 2001	**8,292**	**6,642**	**5,659**	**3,551**	**2,935**	**1,124**	**392**	**28,595**
Accumulated depreciation								
As at 1 January 2001	2,977	3,970	3,416	2,067	59	106	11	12,606
Charge during the year	1,512	756	1,185	997	59	189	33	4,731
Disposals	—	(1)	(327)	(2)	—	—	—	(330)
As at 31 December 2001	**4,489**	**4,725**	**4,274**	**3,062**	**118**	**295**	**44**	**17,007**
Net book value								
As at 31 December 2001	**3,803**	**1,917**	**1,385**	**489**	**2,817**	**829**	**348**	**11,588**
2000								
Cost								
As at 1 January 2000	7,279	1,688	3,509	3,264	—	—	—	15,740
New acquisition	959	4,473	1,777	—	2,935	535	342	11,021
Additions	190	169	822	160	—	—	—	1,341
Disposals	(180)	(5)	(271)	—	—	—	—	(456)
Write-offs	(5)	—	(6)	—	—	—	(71)	(82)
As at 31 December 2000	8,243	6,325	5,831	3,424	2,935	535	271	27,564
Accumulated depreciation								
As at 1 January 2000	923	280	957	970	—	—	—	3,130
New acquisition	642	3,297	1,498	—	54	102	72	5,665
Charge during the year	1,470	394	1,059	1,097	5	4	3	4,032
Disposals	(54)	(1)	(92)	—	—	—	—	(147)
Write-offs	(4)	—	(6)	—	—	—	(64)	(74)
As at 31 December 2000	2,977	3,970	3,416	2,067	59	106	11	12,606
Net book value								
As at 31 December 2000	5,266	2,355	2,415	1,357	2,876	429	260	14,958

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY 2001	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Computer equipment and software RM'000	Total RM'000
Cost					
As at 1 January 2001	7,081	1,703	3,412	2,920	15,116
Additions	24	158	176	114	472
Disposals	—	(2)	—	—	(2)
As at 31 December 2001	**7,105**	**1,859**	**3,588**	**3,034**	**15,586**
Accumulated depreciation					
As at 1 January 2001	2,267	600	1,678	1,803	6,348
Charge during the year	1,420	363	864	850	3,497
Disposals	—	(1)	—	—	(1)
As at 31 December 2001	**3,687**	**962**	**2,542**	**2,653**	**9,844**
Net book value					
As at 31 December 2001	**3,418**	**897**	**1,046**	**381**	**5,742**
2000					
Cost					
As at 1 January 2000	7,072	1,550	3,264	2,761	14,647
Additions	189	158	339	159	845
Disposals	(180)	(5)	(191)	—	(376)
As at 31 December 2000	7,081	1,703	3,412	2,920	15,116
Accumulated depreciation					
As at 1 January 2000	897	266	896	850	2,909
Charge during the year	1,424	335	838	953	3,550
Disposals	(54)	(1)	(56)	—	(111)
As at 31 December 2000	2,267	600	1,678	1,803	6,348
Net book value					
As at 31 December 2000	4,814	1,103	1,734	1,117	8,768

12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 31.12.2001 RM'000	Company 31.12.2000 RM'000
Unquoted shares in Malaysia, at cost	**3,250**	3,000

The following are the subsidiaries of the Company, all of which are incorporated in Malaysia:

Name	Paid-up capital RM	Effective interest 2001 %	Effective interest 2000 %	Principal activity
Danaharta Managers Sdn Bhd	1,000,000	**100**	100	Asset management
Danaharta Managers (L) Ltd	US$5,000,000	**100**	100	Asset management
Danaharta Urus Sdn Bhd	1,000,000	**100**	100	Asset management
Danaharta Hartanah Sdn Bhd	1,000,000	**100**	100	Asset management
Danaharta Perhotelan Sdn Bhd	2	**100**	100	Acquiring and managing hotel properties
Danaharta Consultancy Services Sdn Bhd *(formerly known as Danaharta Ekuiti Sdn Bhd)*	250,000	**100**	100	Dormant
Danaharta Industri Sdn Bhd	2	**100**	100	Dormant
Danaharta Prasarana Sdn Bhd	2	**100**	100	Dormant
Danaharta Kredit Sdn Bhd	2	**100**	100	Dormant
Securita ABS One Berhad* *(formerly known as Danaharta Bina Sdn Bhd)*	2	**100**	100	Asset management
Jalur Realty Sdn Bhd*	2,500,000	**100**	100	Property development and rental
Jalur Harta Sdn Bhd*	12,250,000	**100**	100	Property development and rental
Jalur Services Berhad*	14,000,000	**100**	100	Dormant
Jalur Leasing (M) Sdn Bhd*	2,000,000	**100**	100	Dormant
Subsidiary company of Danaharta Hartanah Sdn Bhd				
TTDI Development Sdn Bhd#	223,000,002	**100**	100	Property development
Subsidiary companies of TTDI Development Sdn Bhd				
TTDI Jaya Sdn Bhd#	25,779,000	**100**	100	Property development
Pandan Maju Sdn Bhd#	6,000,000	**100**	100	Property development
Tadisma Harta Sdn Bhd#	1,000,000	**100**	100	Property development
TTDI Management Sdn Bhd#	500,000	**100**	100	Project management
Tenaga Meranti Sdn Bhd#	250,002	**100**	100	Investment holding
Panetra Imej Parking Sdn Bhd#	200,000	**51**	51	Operator of car park
TTDI Properties Sdn Bhd#	2	**100**	100	Dormant
TTDI Realty Sdn Bhd#	500,000	**100**	100	Dormant

12. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

The following are the subsidiaries of the Company, all of which are incorporated in Malaysia:

Name	Paid-up capital RM	Effective interest 2001 %	2000 %	Principal activity
Subsidiary companies of Pandan Maju Sdn Bhd				
Indasaham Sdn Bhd#	100,000	**70**	70	Development of properties for sale
Ikhlas Murni Sdn Bhd#	2	**100**	100	Property Investment

\# *Subsidiary companies not audited by PricewaterhouseCoopers*
* *Subsidiary companies not consolidated as explained in note (d) below.*

(a) Danaharta Managers Sdn Bhd

Following the agreement between Bank Negara Malaysia, the Company and DMSB on 7 December 1998, the NPLs of Sime Bank Bhd are to be managed by the Company and as such the NPLs were acquired by DMSB, a 100% owned subsidiary of the Company. DMSB assumes a liability for the consideration of the acquisition of which the repayment of that liability is conditional upon the recovery of the acquired NPLs. Under the loan management arrangement, DMSB is not subjected to any risk nor reward from these NPLs and as such, neither the loans nor DMSB's liability to acquire the loans is reflected in the balance sheet of DMSB or in the consolidated balance sheet of the Group. The assets under management of DMSB as at 31 December 2001 is RM11.4 billion (2000: RM11.4 billion).

(b) Danaharta Managers (L) Ltd

Following the agreement between Bank Negara Malaysia, the Company and DMSB on 2 December 1998, the assets of Sime International Bank (L) Ltd are to be managed by the Company and as such, DMSB acquired the entire share capital of Sime International Bank (L) Ltd (which subsequently changed its name to 'Danaharta Managers (L) Ltd'('DMLL')) on 18 December 1998 for a nominal value of US$2 (approx. RM8). Under this arrangement, DMSB assumes the liabilities of DMLL of which the repayment is conditional upon the recovery of assets and accumulated losses of DMLL.

Under the loan management arrangement, DMSB is not subjected to any risk nor reward from these assets of DMLL and as such, neither DMLL's assets nor DMSB's assumption of DMLL's liabilities is reflected in DMSB's balance sheet or in the consolidated balance sheet of the Group. The assets under management of DMLL as at 31 December 2001 is RM5.1 billion (2000: RM5.2 billion).

(c) Danaharta Urus Sdn Bhd

Following the agreement between the Government of Malaysia ('Government'), Danaharta Urus Sdn Bhd ('DUSB') and DMLL on 6 May 1999, the NPLs of BBMB, BBMB Kewangan Bhd and BBMB Discount House Bhd are to be managed by DUSB, a 100% owned subsidiary of the Company and the NPLs of BBMB International Bank (L) Ltd are to be managed by DMLL. DUSB issued zero-coupon bonds for the consideration of the acquisition, the redemption of which is conditional upon the recovery of the acquired assets and is indemnified by the Government.

12. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(c) Danaharta Urus Sdn Bhd (continued)

The details of the zero-coupon bonds issued are as follows:

Issue	Date of Issue	Date of maturity	Nominal/ Maturity Value '000	Discounted Value '000
First	28 September 1999	31 March 2004	RM7,198,634	RM5,620,477
Second	28 September 1999	31 March 2004	USD251,493	USD194,728
Third	30 October 2000	31 December 2004	RM3,796,459	RM2,950,798
Fourth	30 October 2000	31 December 2004	USD123,705	USD93,196
Fifth	13 July 2001	31 March 2005	RM222,293	RM184,888
Sixth	13 July 2001	30 June 2005	RM386,110	RM321,139
Seventh	13 July 2001	30 September 2005	RM291,634	RM242,561
Eighth	13 July 2001	30 November 2005	RM279,134	RM232,164
Ninth	13 July 2001	31 December 2004	RM20,104	RM16,721
Tenth	13 July 2001	30 November 2005	USD7,613	USD5,990

Under the loan management arrangement, DUSB is not subjected to any risk nor reward from these NPLs and as such, neither the loans nor DUSB's liability to acquire the loans is reflected in the respective balance sheets of DUSB or in the consolidated balance sheet of the Group. The assets under management of DUSB as at 31 December 2001 is RM11.3 billion (2000: RM10.5 billion).

(d) Subsidiary Companies Not Consolidated

(i) Jalur Realty Sdn Bhd, Jalur Harta Sdn Bhd, Jalur Services Berhad and Jalur Leasing (M) Sdn Bhd (collectively referred to as 'Jalur subsidiaries').

Following the share sale agreements between Sime Bank Berhad and Danaharta Managers Sdn Bhd ('DMSB') and the share sale agreements between Sime Finance Berhad and DMSB, on 17 September 1999, the Company acquired the Jalur subsidiaries for RM23,603,002. DMSB assumes a liability of RM23,603,000 for the consideration of the acquisition and the remainder is paid in cash.

Following the agreement between Bank Negara Malaysia and DMSB on 17 September 1999, DMSB is not subjected to any risk nor reward from its investment in the Jalur subsidiaries and is unable to exercise its legal voting rights and has no influence on the management control of the Jalur subsidiaries. Under this agreement, the repayment of DMSB's liability as consideration for the acquisition is conditional upon any cashflow received from the investments. Any surplus cashflow shall accrue to Bank Negara Malaysia. As such, neither DMSB's investment nor the corresponding liability to acquire the investment is reflected in the balance sheet of DMSB, and for this reason the results of the Jalur subsidiaries are not consolidated into the financial statements of the Group.

12. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(d) Subsidiary Companies Not Consolidated (continued)

(ii) Securita ABS One Bhd

Danaharta Bina Sdn Bhd ('DBSB') was a dormant company consolidated into the Group in previous financial statements. On 3 October 2001, DBSB was converted from a Private Company to a Public Company and changed its name to Securita ABS One Bhd ('Securita'). With a Purchase Agreement dated 11 December 2001 between the Company, DUSB, DMSB and Securita, Securita was used as a special purpose vehicle to undertake the following securitisation exercise:

- On and as of 20 December 2001 ('Closing Date'), the Company, DUSB and DMSB (jointly known as "Sellers" and "Seller" individually), has sold, transferred and assigned to Securita all rights, title and interest (both present and future) of each Seller to a portfolio of loan assets ('Initial Credits') agreed upon in the agreement. The Sellers and Securita intend the sale of the Initial Credits to be a true sale and shall be without recourse to the Sellers.
- Initial Credits are comprised of term loans, revolving credit facilities, overdrafts and omnibus facilities which amounts to RM569,819,481, consisting of RM81,479,790 from DMSB, RM289,692,402 from DUSB and RM198,647,289 from the Company.
- The purchase price paid to the Sellers by Securita for the Initial Credits consists of a cash component in the amount of RM293,849,559 and RM285,390,000 in aggregate principal amount of Subordinated Notes.
- With the aforementioned arrangement, the Company has no further control over Securita and the majority of the risks and rewards pertaining to the holding of Subordinated Notes, and any rights to the dividends and residual profits of Securita lies with DMSB and DUSB where it is to be accrued to Bank Negara Malaysia and the Government respectively based on the provisions of the agreement dated 7 December 1998 (between Bank Negara Malaysia, the Company and DMSB) and agreement dated 6 May 1999 (between the Government, DUSB and DMLL).

In view of the above circumstances, the Registrar of Companies has granted relief to Pengurusan Danaharta Nasional Berhad from having to consolidate and annex the financial statements of these companies to the financial statements of the Company pursuant to Section 169A of the Companies Act, 1965.

13. INVESTMENT IN ASSOCIATED COMPANIES

	Group	
	31.12.2001 RM'000	31.12.2000 RM'000
Share of net assets of associated companies	**64,756**	64,756
Less: Share of post-acquisition loss	**(214)**	(1)
	64,542	64,755

13. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

The details of the associated companies are as follows:

Name	Country of incorporation	Effective Interest 2001	Effective Interest 2000
PNB Merdeka Ventures Sdn Bhd	Malaysia	**20.87%**	20.87%
Colour Metal Sdn Bhd	Malaysia	**28.00%**	28.00%

PNB Merdeka Ventures Sdn Bhd is an associated company of Danaharta Hartanah Sdn Bhd.

Colour Metal Sdn Bhd is an associated company of TTDI Realty Sdn Bhd.

14. PROPERTY DEVELOPMENT EXPENDITURE

	Group 31.12.2001 RM'000	Group 31.12.2000 RM'000
Land at cost		
– Leasehold land	**2,093**	727
– Freehold land	**9,820**	10,948
Development expenditure	**267,938**	458,187
	279,851	469,862
Portion of profit attributable to development work performed to date	**147,791**	115,403
Less: Provision for foreseeable losses	**(415)**	(415)
	427,227	584,850
Less: Progress billings rendered	**(290,865)**	(392,450)
	136,362	192,400

Included in development expenditure is interest expense of RM151,000 (2000: RM138,000) charged for the year.

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
Trade Receivables	**37,924**	36,387	**—**	—
Less: Provision for doubtful debts	**(870)**	(159)	**—**	—
	37,054	36,228	**—**	—
Amounts owing by subsidiary companies	**—**	—	**457,525**	346,490
Other receivables	**14,449**	24,224	**11,481**	1,082
Tax recoverable	**2,487**	—	**—**	—
Accrued interest receivable	**11,848**	18,362	**10,960**	16,712
Staff loans	**21,964**	14,836	**21,925**	14,789
Loan to director	**379**	—	**379**	—
Amount owing by associated companies	**36**	—	**—**	—
	88,217	93,650	**502,270**	379,073

16. INVESTMENT IN MARKETABLE SECURITIES

Unquoted Money Market Instruments in Malaysia

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
Cagamas bonds/notes	**45,172**	50,194	**45,172**	50,194
Danamodal Bonds	**130,221**	130,221	**130,221**	130,221
Khazanah Bonds	**130,840**	138,205	**130,840**	138,205
Prasarana Bond	**217,952**	—	**217,952**	—
Private debt securities	**227,869**	196,209	**227,869**	196,209
	752,054	514,829	**752,054**	514,829
Amortisation of premium less accretion of discounts	**35,467**	17,014	**35,467**	17,014
	787,521	531,843	**787,521**	531,843
Unquoted securities in Malaysia				
Shares	**35**	35	**—**	—
Quoted securities in Malaysia				
Shares at carrying value	**9**	29	**—**	—
	787,565	531,907	**787,521**	531,843
Market value of quoted shares	**9**	21	**—**	—

16. INVESTMENT IN MARKETABLE SECURITIES (CONTINUED)

The maturity structure of money market instruments held for investment are as follows:-

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
One year to three years	**214,180**	202,720	**214,180**	202,720
Three years to five years	**573,341**	329,123	**573,341**	329,123
	787,521	531,843	**787,521**	531,843

17. OTHER INVESTMENT

	Group/Company	
	31.12.2001 RM'000	31.12.2000 RM'000
Advances for DUSB bonds redemption	**1,429,000**	—
Accretion of discounts	**54,944**	—
	1,483,944	—

Advances for DUSB bonds redemption represents advances from the Company for early redemption of DUSB bonds. Such advances are at call and carry a yield of 5.569%, which is equivalent to the issued yield of the underlying DUSB bonds redeemed. Since DUSB's liability on the bonds is neither reflected in the balance sheets of DUSB nor in the consolidated balance sheet of the Group (as disclosed in Note 12 (c)), the said advances and the income thereon have not been eliminated on consolidation.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
Deposits with licensed banks	**1,355,139**	1,854,491	**1,096,329**	1,834,947
Deposits with licensed finance companies	**460,066**	659,417	**428,748**	651,969
Deposits with discount houses	**10,550**	—	**—**	—
Cash and bank balances	**44,260**	79,654	**8,016**	15,915
	1,870,015	2,593,562	**1,533,093**	2,502,831

Included in the cash and bank balances is an amount of RM5.89 million (2000: RM0.79 million) held under Housing Development Account as required under Section 7A of the Housing Developers Regulation 1991. Included in the deposits with finance companies is an amount of RM0.2 million (2000: RM0.2 million) relating to balance of retention sum to a subcontractor of a subsidiary for payment upon expiry of the warranty period. Interest accrued will be payable to the subcontractor upon expiry of the warranty period.

19. TRADE AND OTHER PAYABLES

	Group 31.12.2001 RM'000	Group 31.12.2000 RM'000	Company 31.12.2001 RM'000	Company 31.12.2000 RM'000
Trade payables	**27,296**	22,825	**—**	—
Interest payable to EPF	**7,014**	6,904	**7,014**	6,904
Deferred interest income on acquired assets	**92,547**	32,747	**92,547**	32,747
Security Deposits	**21,705**	28,861	**21,011**	22,439
Other liabilities	**148,214**	185,116	**123,409**	188,417
Amount due to subsidiary companies	**—**	—	**25,542**	163,611
	296,776	276,453	**269,523**	414,118

20. SHORT TERM BORROWINGS

	Group 31.12.2001 RM'000	Group 31.12.2000 RM'000
Bank overdraft	**—**	509
Finance lease liability	**—**	17
	—	526

In Year 2000, the bank overdrafts are unsecured and bear interest at rates ranging from 0.25% to 1.00% per annum above the lender bank's base lending rate.

21. DEFERRED TAXATION

	Group 31.12.2001 RM'000	Group 31.12.2000 RM'000
At 1 January	**8,122**	6,570
Transfer (to)/from income statement	**(3,068)**	1,553
At 31 December	**5,054**	8,123

Subject to agreement by Inland Revenue board, the potential deferred tax benefits not taken up in the financial statements under the liability method are as follows:

	Group 31.12.2001 RM'000	Group 31.12.2000 RM'000
Unutilised tax losses	**(19,968)**	(19,347)
Other timing differences	**9,037**	9,002

22. REDEEMABLE GUARANTEED ZERO-COUPON BEARER BONDS

	Group and Company	
	31.12.2001	31.12.2000
	RM'000	RM'000
Nominal value of bonds	**11,140,400**	11,140,400
Less: Unamortised discount	**(1,369,832)**	(1,945,091)
	9,770,568	9,195,309
Less: Cost of investment in own bonds	**(1,062,739)**	(913,988)
Accretion of discount	**(127,958)**	(65,398)
	8,579,871	8,215,923
Discount upon issuance	**2,923,793**	2,923,793
Amortisation to date	**(1,553,961)**	(978,702)
Unamortised discount as at 31 December	**1,369,832**	1,945,091

These bonds are guaranteed by the Government of Malaysia. The bonds are redeemable by the Company at its nominal value on the maturity date with the option by the Company to refinance any of the bonds upon maturity for a further period of 1, 3 or 5 years. The refinanced bonds would carry a coupon rate, which will be based on the then prevailing Malaysian Government Security (MGS) yield of a similar tenor.

The discounted value of the bonds at the date of issue represents the consideration for the acquisition of loans as shown below:

	Date of Issue	Date of maturity	Nominal/ Maturity Value RM'000	Discounted Value RM'000
First issue	20 November 1998	31 December 2003	1,021,600	713,404
Second issue	30 December 1998	31 December 2003	1,579,800	1,137,645
Third issue	29 January 1999	31 March 2004	1,105,400	788,161
Fourth issue	26 February 1999	31 March 2004	1,241,900	897,844
Fifth issue	26 March 1999	31 March 2004	1,392,900	1,013,446
Sixth issue	29 April 1999	30 June 2004	1,049,700	793,405
Seventh issue	27 May 1999	30 June 2004	511,200	389,683
Eighth issue	29 June 1999	30 June 2004	744,100	571,930
Ninth issue	29 July 1999	30 September 2004	527,200	401,848
Tenth issue	26 August 1999	30 September 2004	203,700	149,893
Eleventh issue	29 October 1999	31 December 2004	575,200	439,251
Twelfth issue	29 December 1999	31 December 2004	391,700	303,031
Thirteenth issue	31 January 2000	31 March 2005	162,300	125,367
Fourteenth issue	29 February 2000	31 March 2005	305,100	237,054
Fifteenth issue	31 March 2000	31 March 2005	328,600	254,645
			11,140,400	8,216,607

22. REDEEMABLE GUARANTEED ZERO-COUPON BEARER BONDS (CONTINUED)

The timing of the redemption of the bonds is dependent on the recovery of the acquired loans, realising proceeds at a minimum level of the Fair Purchase Price plus approximately 6.1% per annum (2000: 6.1%) (being the internal rate of return of the bonds).

23. LONG–TERM LOANS

	Group and Company	
	31.12.2001 RM'000	31.12.2000 RM'000
Khazanah Nasional Berhad		
Total interest charge on loan	**123,118**	123,118
Interest charge to date	**(74,724)**	(50,108)
Unaccrued interest charged as at 31 December	**48,394**	73,010
Loan redemption amount	**423,118**	423,118
Less: Unaccrued interest charged	**(48,394)**	(73,010)
	374,724	350,108
Employees Provident Fund		
Loan Principal	**500,000**	500,000
	874,724	850,108

The Long-Term loans relate to drawdowns on unsecured loans from Khazanah Nasional Berhad ('Khazanah') and the Employees Provident Fund ('EPF'). The interest on the Khazanah loans are at a fixed rate of approximately 6.9% per annum and are calculated on the carrying value of the loan semi-annually on a compounded basis. The interest charge for the Khazanah loans is payable on the maturity date of the loans. The interest on the EPF loan is at a fixed rate of 8% per annum and is payable on a semi-annual basis. The details of the loans are summarised below:

	Date of drawdown	Date of maturity	Repayment amount RM'000	Principal upon drawdown RM'000
Khazanah First tranche	18 December 1998	18 December 2003	423,118	300,000
EPF	28 April 1999	28 April 2004	500,000	500,000
			923,118	800,000

24. JOINT VENTURE

	Group 31.12.2001 RM'000	Group 31.12.2000 RM'000
Advances to joint venture	**916**	583
Share of loss	**(1,889)**	(2,026)
	(973)	(1,443)

The financial statements include the Group's share of assets, liabilities, income and expenses of a joint venture operation ('JV'). The Group effectively owns 88% (2000: 88%) interest in the JV via TTDI's subsidiary companies, Pandan Maju Sdn Bhd and Indasaham Sdn Bhd, which owns 60% and 40% interest respectively in the JV. The JV's assets and liabilities at the balance sheet date and their results for the financial year are as follows:

	Group 31.12.2001 RM'000	Group 31.12.2000 RM'000
Current assets	**408**	531
Current liabilities	**(1,381)**	(2,171)
Net current liabilities	**(973)**	(1,640)
Financed by		
Current account	**(973)**	(1,443)
Minority Interest	**—**	(197)
	(973)	(1,640)

25. SHARE CAPITAL

	Group and Company 31.12.2001 RM'000	Group and Company 31.12.2000 RM'000
Ordinary shares of RM1 each		
Authorised:		
As at 31 December	**10,000,000**	10,000,000
Issued and fully paid:		
As at 1 January	**3,000,000**	1,500,000
Issued during the financial year	**—**	1,500,000
As at 31 December	**3,000,000**	3,000,000

26. DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all directors charged to the profit and loss account for the year are as follows:

	Group		Company	
	31.12.2001 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2000 RM'000
Fees	**82**	91	**82**	77
Other remuneration				
– Executive directors	**1,075**	895	**1,075**	895
– Non-executive directors	**285**	234	**285**	234
	1,442	1,220	**1,442**	1,206

27. CORPORATE TAX EXEMPTION

Following the Gazette dated 10 July 2001 under Income Tax (Exemption) (No. 4) Order 2001, the Company and all its wholly owned subsidiary companies are exempted from income tax liabilities from Year of Assessment 1999 until Year of Assessment 2003.

28. RELATED PARTY DISCLOSURES

The Company is a public company incorporated under the Companies Act, 1965 and is wholly owned by the Minister of Finance Incorporated. Transactions entered into by the Company, other than those transactions which are entered into by enterprises in general in the course of their normal dealings with Government Departments, agencies or Government controlled entities, are considered to be related party transactions.

The transactions, balances and other arrangements between the Group and such entities are as follows:

(a) The Group's investments in marketable securities includes investment in bonds issued by Danamodal Nasional Berhad and Khazanah Nasional Berhad with a total carrying value of RM296 million as at 31 December 2001 (2000: RM268 million). The interest income credited to the income statement from these investments amounts to RM17 million (2000: RM15 million). Details of such investments are disclosed in note 16.

(b) As part of the Group's Asset Management activity, the Group entered into loan management arrangements with the following parties:-

(i) Bank Negara Malaysia ('BNM') to manage NPLs of Sime Bank Berhad and Danaharta Managers (L) Ltd (formerly known as Sime International Bank (L) Ltd),

(ii) Ministry of Finance ('MOF') to manage NPLs of BBMB, BBMB Kewangan Bhd, BBMB Discount House Bhd and BBMB International Bank (L) Ltd.

Details of the arrangements are disclosed in note 12.

28. RELATED PARTY DISCLOSURES (CONTINUED)

(c) As at 31 December 2001, the Group has long term borrowings from Khazanah Nasional Berhad ('KNB') and Employees Provident Fund ('EPF'). The interest expense charged to the income statement for these borrowings amount to RM25 million and RM40 million respectively. Details of the borrowings are disclosed in note 23.

Other than the entities mentioned above, the Group has related party transactions as disclosed below:

	Group	
	31.12.2001 RM'000	31.12.2000 RM'000
(a) Sale of properties to:-		
– Directors of subsidiary companies	**6,888**	—
– Senior management of the Company	**5,800**	—
(b) Management fees:-		
– Received from affiliated companies	**18**	—
– Paid to affiliated companies	**48**	48
(c) Rental of land to:-		
– Affiliated companies	**11**	36

The above transactions have been entered into in the normal course of business and have been established under negotiated terms.

Statement by Directors
pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Mohamed Azman Yahya and Abdul Hamidy Abdul Hafiz, being two of the Directors of Pengurusan Danaharta Nasional Berhad state that, in the opinion of the Directors, the financial statements set out on pages 105 to 134 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 2001 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 April 2002.

DATO' MOHAMED AZMAN YAHYA
Chairman

ABDUL HAMIDY ABDUL HAFIZ
Managing Director

Kuala Lumpur

Statutory Declaration
pursuant to Section 169(16) of the Companies Act, 1965

I, Ee Kok Sin, the officer primarily responsible for the financial management of Pengurusan Danaharta Nasional Berhad, do solemnly and sincerely declare that the financial statements of the Group and the Company set out on pages 105 to 134 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

EE KOK SIN

Subscribed and solemnly declared by the abovenamed Ee Kok Sin at Kuala Lumpur in Wilayah Persekutuan on 8 April 2002 before me:

BARATHAN A/L SINNIAH @ CHINNIAH
Commissioner for Oaths
Kuala Lumpur

Auditors Report
to the members of
Pengurusan Danaharta Nasional Berhad

We have audited the financial statements set out on pages 105 to 134. 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 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 with in the financial statements; and

   (ii) the state of affairs of the Group and the Company as at 31 December 2001 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 its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiary companies which we have not acted as auditors are indicated in Note 12 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditor's 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 audit 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

MOHD DARUIS ZAINUDDIN
(No. 969/03/03 (J/TH))
Partner of the firm

Kuala Lumpur
8 April 2002