Annual Report 2004

DANAHARTA

Pengurusan Danaharta Nasional Berhad

Cover Rationale

A special purpose agency with limited life, Danaharta was established in 1998 and is targeting to complete its mission in 2005.

Depicted on the front cover of this year's annual report are the pieces of a jigsaw puzzle. Each of the pieces symbolises a year of Danaharta's existence. This year, 2004, is the penultimate year of Danaharta's life. Having met our targets for the year, the 2004 piece joins the other pieces already in place. There is only one piece missing to finish the puzzle: the piece symbolising 2005. When the 2005 piece falls into place, the puzzle is done and our task will be complete.

A jigsaw begins as a muddle of disordered pieces. It ends as a coherent pattern. The jigsaw is thus a visual expression of Danaharta's mission to take on the economic disorder caused by high levels of non - performing loans (NPLs) in the Malaysian banking system during the 1997 economic crisis. By dint of its actions, Danaharta contributed to restoring order and vitality to the nation's economy.

The emphasis placed by the design on the small number of years of operation pays quiet tribute to the speed that is enabling Danaharta to complete its task ahead of schedule. This is an achievement made possible by an unwavering commitment to efficiency and teamwork. In addition, the clarity and coherence of the finished jigsaw stands as a symbol of transparency and good governance.

The ability to complete a jigsaw depends on selecting the right pieces in the right order and putting them in the right place. It requires patience, planning and resourcefulness. These are the very qualities that we believe have enabled us to achieve our goals.

Contents

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh 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 2004 including the Directors' Report and the Auditors' Report thereon.

Resolution 1

2. To re-appoint Messrs. PricewaterhouseCoopers as the Company's auditors and to authorise the Directors to fix the auditors' remuneration.

Resolution 2

As Special Business

Ordinary Resolution

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

3. "That the Directors' fees and allowances of RM266,000 for the financial year ended 31 December 2004 be approved."

Resolution 3

By Order of the Board

Phang Tuck Keong
Shamsiah A. Rahman
Joint Company Secretaries

Kuala Lumpur
12 April 2005

Corporate Information

CORPORATE INFORMATION

Board of Directors

Dato' Zainal A Putih *(Chairman)*

Dato' Zukri Samat *(Managing Director)*

Datin Husniarti Tamin
(completed tenure on 28 January 2005)

Dato' Mohd Salleh Hj Harun
(completed tenure on 28 January 2005)

Dato' N. Sadasivan

Dato' Abdul Hamidy Hafiz

Dato' Abd Wahab Maskan

Mr. Alister T.L. Maitland

Mr. David Moir

Dato' Abdul Rahim Mokti
(appointed on 28 January 2005)

Puan Nor Shamsiah Mohd Yunus
(appointed on 28 January 2005)

Board Committees

Executive Committee

Dato' Zainal A Putih *(Chairman)*

Datin Husniarti Tamin
(resigned on 28 January 2005)

Dato' N. Sadasivan

Dato' Abdul Hamidy Hafiz

Dato' Zukri Samat

Dato' Abdul Rahim Mokti
(appointed on 28 January 2005)

Audit Committee

Dato' Mohd Salleh Hj Harun *(Chairman)*
(resigned on 28 January 2005)

Mr. Alister T.L. Maitland *(Chairman)*
(appointed on 28 January 2005)

Dato' Abd Wahab Maskan

Puan Nor Shamsiah Mohd Yunus
(appointed on 28 January 2005)

Remuneration Committee

Dato' Zainal A Putih *(Chairman)*

Dato' N. Sadasivan

Mr. David Moir

Non-Board Committees

Oversight Committee

Dato' Mohd Razif Abdul Kadir

Dato' Othman Abdullah

Dato' Zarinah Anwar

Tender Board

Dato' Zukri Samat

Mr. Ee Kok Sin

Encik Johari Shafie

Encik Abdul Halim Othman

Joint Company Secretaries

Mr. Andrew Phang Tuck Keong

Puan Shamsiah A. Rahman

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 OF COMPANIES AS AT 31 DECEMBER 2004

Pengurusan Danaharta Nasional Berhad

- Danaharta Managers Sdn Bhd *100%*
  - Danaharta Managers (L) Ltd *100%*
  - Jalur Realty Sdn Bhd *100%*
  - Jalur Harta Sdn Bhd# *100%*
- Danaharta Urus Sdn Bhd *100%*
- Securita ABS One Bhd *100%*
- Securita ABS Two Bhd* *100%*
- Securita ABS Three Bhd* *100%*
- Danaharta Perhotelan Sdn Bhd* *100%*
- Danaharta Hartanah Sdn Bhd *100%*
- Danaharta Kredit Sdn Bhd* *100%*
- Prokhas Sdn Bhd* *100%*
- Danaharta Industri Sdn Bhd* *100%*
- Danaharta Consultancy Services Sdn Bhd* *100%*

Loan Management Subsidiaries
Asset Management Subsidiaries
* *Dormant as at 31 December 2004*
\# *Effective holding*

KEY MANAGEMENT PERSONNEL

Pengurusan Danaharta Nasional Berhad

Dato' Zukri Samat
Managing Director

Dato' Johan Ariffin
Senior General Manager
Property
(resigned w.e.f. 31 January 2005)

Mr. Richard Kong
General Manager
Operations

Encik Shariffuddin Khalid
General Manager
Communications and Human Resource

Puan Fatimah Abu Bakar
General Manager
Internal Audit & Compliance

Mr. Ee Kok Sin
General Manager
Finance and Services

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

Puan Myrzela Sabtu
Head, Property
(w.e.f. 1 January 2005)

Chairman's Statement

CHAIRMAN'S STATEMENT

"As at the end of 2004, Danaharta had already collected more than 90% of the total lifetime recovery target of approximately RM30 billion."

On behalf of the Board of Directors, I am pleased to present to you the annual accounts and report for Pengurusan Danaharta Nasional Berhad for the financial year ending 31 December 2004.

Danaharta, as you may be aware, is the national asset management company wholly owned by the Malaysian Government and tasked with the mission of resolving non-performing loans (NPLs) previously removed from the banking system from 1998 to 2001. Its NPL portfolio comprises NPLs that were acquired from approximately 70 financial institutions (FIs) and NPLs that are managed on the Malaysian Government's behalf (from two failed banking groups, Bank Bumiputra Group and Sime Bank Group).

Its unique function as the national NPL resolution agency was aimed at relieving pressure on the banking system brought on by high levels of NPLs during the Asian economic crisis in the late 1990s. This was necessary as a collapse of the banking system would have had a catastrophic impact on the Malaysian economy which at the time was trying to recover from the recession.

As such, many commentators credit Danaharta's work as having a positive impact on facilitating the country's economic recovery. It is now engaged in maximising recovery value from its NPL portfolio to mitigate the eventual cost of its operations to taxpayers. Danaharta is a non-profit making entity.

Danaharta is designed to be a finite life organisation with a specific project / mission. This is in line with the experience and approach of other countries with national NPL resolution agencies. NPL resolution agencies are not permanent institutions as their continued existence may represent a moral hazard to banking institutions. NPL management is part and parcel of banking life and banks may never seek to improve if there was a permanent establishment funded by the taxpayer to take NPLs off them. In this regard, we have announced that the targeted date for Danaharta to cease operations is 31 December 2005.

Highlights of the Year

As Chairman, I am pleased to note we have remained on track for a successful completion of our mission. In this connection, the highlights of the year include the following:

Danaharta bonds paid on schedule

During the acquisition phase, Danaharta had issued government-guaranteed bonds in exchange for NPLs bought from FIs. A total of RM11.14 billion of bonds were issued and as at the end of 2004, Danaharta had redeemed over 90% with only RM0.795 billion left (maturing on 31 March 2005). Early in its life, Danaharta came under unfair speculation that it would be an NPL warehouse i.e. keeping NPLs without pursuing any recovery. Redemption of the bonds is proof that Danaharta actually generates recovery proceeds from its operations.

Securita Asset-Backed Securities (ABS) redeemed ahead of maturity date

As part of its efforts to convert rehabilitated loans into cash, Danaharta launched the first Malaysian Collateralised Loan Obligation ABS issue on 21 November 2001.

The transaction essentially involved the transfer of a portfolio of performing loans totalling RM595 million from Danaharta Group to Securita ABS One Sdn Bhd (a Special Purpose Vehicle (SPV) managed by Danaharta). Securita raised the cash by issuing RM310 million worth of Senior Notes to the investing public.

In return, Danaharta received cash and Subordinated Notes issued by the SPV. The Notes were due to mature in December 2005. However, Securita started redeeming the notes in stages from 31 May 2003 to 21 June 2004, thus completing the redemption of the Senior Notes eighteen months ahead of schedule.

More than 90% of total lifetime recovery target collected

Danaharta expects to collect about RM30 billion over its lifetime. As at the end of 2004, Danaharta had already collected more than 90% of the total lifetime recovery target of approximately RM30 billion. In addition, the average Loan Recovery Rate was 59% – comprising 50% for acquired NPLs and 65% for managed NPLs.

Danaharta Act provisions affirmed by Federal Court i.e. Section 72

Malaysia's highest court, the Federal Court, ruled unanimously that Section 72 of the Danaharta Act that gives Danaharta immunity from injunctions as valid and constitutional. This was following a legal challenge raised by an NPL borrower. This decision is critical in minimising the cost to taxpayers of Danaharta's recovery mission.

Danaharta's Key Performance Indicators (KPIs)

In past annual reports, we have expounded on the modus operandi and approach utilised by Danaharta as well as specific challenges faced by Danaharta.

For this report, I would like to focus on the KPIs used by the Board to drive Danaharta to achieve its goals. At inception, some goals and targets had been identified by the Board and Management. KPIs were first formally codified and adopted in mid-1999 (making Danaharta one of the earliest Government agencies to do so, if not the earliest). Danaharta's staff remuneration is linked to the KPIs. For the organisation to be eligible to pay out bonus to its staff or give salary increments, it has to achieve or exceed the KPIs set.

The Board and Management realised that because Danaharta's goals were not profit-oriented but rather to relieve NPL pressure and maximise

"To-date, the Board is pleased that Danaharta has either met or exceeded all its benchmarks set under the various KPIs."

recovery values, specialised KPIs had to be drawn up to measure the quantity and quality of effort of the agency. Danaharta's twin goals would be used as reference in creating the KPIs.

As a finite life organisation, Danaharta's short life cycle could be divided roughly into three phases – Establishment, Acquisition of NPLs followed by Resolution of NPLs. Each phase had its own KPIs. Different KPIs would come into play over time with some overlapping between phases.

KPIs - Establishment phase
(Result: KPI exceeded)

The Government announced the setting up of Danaharta in late May 1998. At the time of announcement, no organisation existed - only a concept paper. Clearly, for Danaharta to play its role, it was critical for the organisation to become operational as soon as possible.

Studying the experiences of other countries, the Board had noted that similar organisations took at least five months to become operational; some took more than a year.

This was the first KPI set – to commence operations as quickly as possible i.e. beat the benchmark of five months. This was no easy feat as it involved, amongst other things, drafting and passing of new legislation, recruitment of key staff and formulation of operating policies and procedures.

Danaharta commenced operations within three months of the announcement making its first NPL acquisition at the end of August 1998 beating the benchmark by two months.

KPIs - Acquisition phase
(Result: KPIs met or exceeded)

As relieving pressure on the banking system was a key objective, the KPIs for this phase were measured on two fronts. Firstly, how quickly could NPLs be carved out from the system and secondly, how much. The Board set a deadline of completing the primary acquisition exercise (involving some RM39 billion of NPLs) by 31 December 1999.

A secondary acquisition exercise (a final call to all banking institutions) was given the deadline of 31 March 2000. The primary acquisition exercise was completed six months ahead of the deadline and the secondary acquisition exercise was completed on schedule.

At the same time, Danaharta's quantity benchmarks were to acquire at least RM8 billion by 31 December 1998 and at least RM33 billion by 31 December 1999. In actual fact, Danaharta notched up RM19.7 billion by 31 December 1998 and RM39.3 billion by 31 December 1999.

KPIs - Resolution phase
(Ongoing; so far, KPIs met or exceeded)

As Danaharta's NPL portfolio took shape, pressure mounted to extract maximum recovery value from the NPLs as this would reduce the eventual cost to be borne by taxpayers.

Danaharta had to review each account to decide on the most appropriate recovery strategy – known as "processing the NPL borrower". Thereafter, Danaharta had to implement the approved strategy to generate the recoveries.

The first benchmark (to measure processing ability) was that Danaharta was required to process RM30 billion (Loan Rights Acquired value) of NPLs by 30 June 2000.

In actual fact, Danaharta managed to process RM31.5 billion by that date. Thereafter, Danaharta was required to process the remaining NPLs by 31 December 2001. In actual performance, Danaharta processed all but RM300 million by that date (due to certain complexities encountered). The RM300 million was processed by 30 September 2002.

The Board also set a recovery rate benchmark to measure the effective implementation of the recovery strategy.

The method universally used to gauge an NPL resolution agency's recovery performance simply compares the actual amount recovered against the amount owed by the borrower. For example, if the amount recovered was, say RM50 million against the loan amount outstanding, say RM100 million, the recovery rate would be 50%. This is called the *Loan Recovery Rate* and is published at regular intervals by Danaharta.

The Loan Recovery Rate benchmark was set at 49.8%, derived from initial estimates made upon review of the NPL accounts. As at the end of 2004, Danaharta is on track to exceed all that (the average expected Loan Recovery Rate was 59%). It is interesting to note that a recent study by the Bank for International Settlements (BIS) estimates loan recovery rates of similar agencies in Asia to range between 25% and 50%.

To-date, the Board is pleased that Danaharta has either met or exceeded all its benchmarks set under the various KPIs. In this regard, the management and staff are to be given due credit. I hope to be able to report the same at the end of 2005.

External and Public Relations

For the first time, Danaharta was invited to the headquarters of the World Bank in Washington D.C. to share its experiences and approach taken at a key seminar on international best practices in corporate restructuring. The seminar was attended by senior policymakers and regulators from many countries.

Danaharta was also invited to an important Bank for International Settlements (BIS) Conference where an international study comparing its experiences with those of other similar agencies was presented by a BIS analyst team. Danaharta was evaluated as one of the most effective agencies of its kind.

During the year, Danaharta welcomed delegations from the International Monetary Fund (IMF), India and Indonesia. A Danaharta delegation was also invited to Sri Lanka.

As is Danaharta's usual practice, numerous public and media briefings were given throughout the year in line with its commitment to transparency.

Financial Results

For the period ended 31 December 2004, the Danaharta Group made a consolidated net profit of RM84 million. This was mainly attributable to good performance in our recovery activities coupled with a significant drop in financing costs. The drop in financing costs was due to the periodic redemptions of Danaharta bonds throughout the year.

However, notwithstanding the profit for the year, since establishment Danaharta has incurred a cumulative loss of approximately RM1.2 billion caused by the heavy financing costs in the past. No dividends were declared.

This performance is in line with expectations. Management has always been conscious of the need to manage operating costs effectively and proactively. In this connection, Danaharta is the leanest national NPL resolution agency in the region.

Corporate Developments

TTDI Development Sdn Bhd (TTDI), a wholly-owned subsidiary of Danaharta, was sold during the year via an open tender exercise. The entire share capital of TTDI was sold for RM262.8 million, exceeding the reserve price set of RM261.5 million. The decision to sell TTDI was in line with Danaharta's efforts to liquidate non-cash assets before closure in 2005. The proceeds of the sale were used to fund the redemption of Danaharta bonds that matured in 2004. Subsequent to the sale, Danaharta's property activities including property sales (of foreclosed collateral) would continue to be undertaken by its Property Division.

Organisation

As at the end of 2004, Danaharta had 230 staff members. Due to the impending closure of Danaharta, it is a continual challenge to ensure that enough staff will stay in order for Danaharta to complete its mission.

Acknowlegements

On behalf of the organisation, our gratitude goes out to the following for their support and co-operation:

Ministry of Finance (MOF);
Attorney General's Chambers;
Bank Negara Malaysia (BNM);
Securities Commission;
Bursa Malaysia Bhd;
Foreign Investment Committee;
The National Economic Action Council;
The Department of Director General of Lands and Mines;
The respective State Lands and Mines departments;
Government ministries and departments at both federal and state level; and
The financial community.

We are also grateful to the members of the Tender Board and the Oversight Committee for their time and effort involving Danaharta.

The Management and staff of Danaharta have worked hard throughout the year to sustain our progress towards achieving our mission. The Board recognises their contribution and commends them on a job well done.

We had some notable departures from the Board and Management team. Dato' Mohd Salleh Harun (BNM) and Datin Husniarti Tamin (MOF) both retired after serving out their tenures.

We also bid farewell to Dato' Kris Azman Abdullah and Dato' Johan Ariffin - both members of the Management team. Dato' Kris Azman left Danaharta in March 2004 to join the Securities Commission as Director of Issues and Investment and Dato' Johan left in early 2005 to rejoin the private sector.

To all of them, we wish the very best in their future endeavours and thank them for their service to Danaharta.

At the same time, we warmly welcome Dato' Abdul Rahim Mokti (MOF) and Puan Nor Shamsiah Mohd Yunus (BNM) as replacement Board members.

We also thank our consultants, advisers and business associates whose support and services are critical to our work. It is also timely to acknowledge those borrowers who have shown responsibility in dealing with their respective circumstances by co-operating with our recovery efforts.

The pace and corporate structure of Danaharta requires its Board members to give generously of their time and effort during Board meetings and in the various Board sub-committees. We are indeed fortunate to have such conscientious individuals and I wish to express my gratitude for their close involvement throughout the year.

Conclusion

With a sounder economy and the banking system looking healthier than before, it is timely for Danaharta to look at winding down its operations. Our closure plans will be made known in advance of our effective closure date. Till then, Danaharta will continue to do its part in fulfilling its duty to the country and the mission entrusted to it.

Dato' Zainal A Putih
Chairman

"With a sounder economy and the banking system looking healthier than before, it is timely for Danaharta to look at winding down its operations."

Board of Directors & Management Team

BOARD OF DIRECTORS

Sitting from left
Dato' Abdul Rahim Mokti (appointed on 28 January 2005) and Dato' Zainal A Putih (Chairman)

Standing from left
Puan Shamsiah A. Rahman (Joint Company Secretary), Dato' Abdul Hamidy Hafiz and Dato' Abd Wahab Maskan

Sitting from left
Dato' Zukri Samat (Managing Director) and Puan Nor Shamsiah Mohd Yunus (appointed on 28 January 2005)

Standing from left
Mr. Alister T. L. Maitland, Dato' N. Sadasivan, Mr. David Moir and Mr. Andrew Phang (Joint Company Secretary)

PROFILE OF BOARD OF DIRECTORS

Dato' Zainal A Putih
Chairman (Non-Executive)

Dato' Zainal was appointed by the Malaysian Minister of Finance as the Chairman of Danaharta on 1 August 2003.

He is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA).

A well known and respected professional accountant, Dato' Zainal has spent most of his career in public practice. He has accumulated vast and extensive experience in accounting and audit, serving clients in the banking, insurance, energy, transportation, manufacturing, plantation and property sectors as well as several government agencies. Now retired, Dato' Zainal previously headed a leading Malaysian accounting firm with international affiliations.

He is presently the Chairman of the Malaysian Accounting Standards Board and an Advisor of Ernst & Young Malaysia. He currently sits on the Board of several public listed companies, namely, Tenaga Nasional Malaysia Berhad, Esso Malaysia Berhad and CIMB Berhad. Dato' Zainal is also a member of the Investment Panel of the Employees Provident Fund and is a Trustee of the National Heart Institute Foundation.

Dato' Zukri Samat
Managing Director

Dato' Zukri was appointed by the Minister of Finance as the Managing Director of Danaharta on 1 July 2003.

He joined Danaharta in October 1998 as General Manager, Operations Division and was later promoted to Director of Operations on 1 August 2001, assuming direct line responsibility for all loan recovery activities of Danaharta.

Dato' Zukri has extensive experience in the banking sector, having served in both local as well as international financial institutions in various capacities. Prior to joining Danaharta, he was the General Manager of Credit Agricole Indosuez Labuan. He also worked in CIMB Berhad for a significant period of time; his last position being Deputy General Manager of the Capital Markets Department where he was responsible for transactions involving private debt securities, project finance, corporatisation and privatisation of state-owned companies. He currently sits on the Board of Malaysian Debt Ventures Berhad.

Dato' Zukri holds an MBA Degree from the University of Hull, United Kingdom.

Dato' Abdul Hamidy Hafiz
Director (Non-Executive)

Dato' Hamidy was appointed to Danaharta's Board of Directors ("Board") on 1 July 2003.

He is the President/Chief Executive Officer of Affin Bank Berhad. Prior to joining Affin Bank Berhad, Dato' Hamidy was the Managing Director of Danaharta.

In addition to his experience in Danaharta, Dato' Hamidy has vast exposure in the areas of corporate banking and banking operations with both local and international financial institutions.

He is currently a member of the Malaysia Exchange Securities Berhad Listing Committee and formerly a member of the Corporate Debt Restructuring Committee. He also sits on the Board of several listed and private companies including Affin Bank Berhad, Crest Petroleum Berhad, Malaysia Debt Ventures Berhad and he was a Director for Syarikat Prasarana Negara Berhad until 31 December 2004.

Datin Husniarti Tamin
Director (Non-Executive)

Datin Husniarti was appointed to Danaharta's Board and Executive Committee in August 2000 and completed her tenure on 28 January 2005.

She has retired from Government service and last served as 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). Datin 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.

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

Dato' Mohd Salleh Hj Harun
Director (Non-Executive)

Dato' Salleh was appointed to the Board in September 2000 and completed his tenure on 28 January 2005.

He has retired from Bank Negara Malaysia where he last served as a Deputy Governor of the Central Bank.

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 fourteen years before leaving to take a senior management position in Maybank, in August 1988. In June 1994, Dato' Salleh was appointed 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.

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

Dato' Abd Wahab bin Maskan
Director (Non-Executive)

Dato' Abd Wahab was appointed to the Board on 21 November 2003.

Dato' Abd Wahab is the Group Chief Executive Officer of Kumpulan Guthrie Berhad. In the past, Dato' Abd Wahab had held positions as Director of Development in Urban Development Authority, General Manager of Island & Peninsular Berhad, Managing Director of Negara Properties (M) Berhad, Executive Director and Group Chief Executive Officer of Golden Hope Plantations Berhad. His working experience includes property development and investment, engineering and construction, assets and plantation management, trading and marketing, and manufacturing companies, both in the public and private sectors.

Dato' Abd Wahab holds a Bachelor of Science Degree in Management (Real Estate) from the University of Reading, England. He is a Fellow of the Institution of Surveyors and a Fellow of the Royal Institution of Chartered Surveyors (England and UK).

He has held positions as Director or Chairman of a number of local and overseas companies in the European Union and Asia including public listed companies. Dato' Abd Wahab also sits on the Boards of listed Highlands & Lowlands Berhad, Guthrie Ropel Berhad, Pelaburan Hartanah Nasional Berhad and some non-listed companies in Malaysia and Indonesia.

Dato' N. Sadasivan
Director (Non-Executive)

Dato' Sadasivan was appointed to the Board on 25 August 1998.

He was with the Malaysian Industrial Development Authority (MIDA) for twenty seven 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 he is also a Director of Bank Negara Malaysia.

Mr. Alister Maitland
Director (Non-Executive)

Mr. Maitland was appointed to the Board on 26 August 1998.

He spent over thirty five 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 Innovation Commission and Chairman of Eastern Health Network Victoria, Folkestone Limited, Council of Board Health Chairs and Australian Centre for International Business, University of Melbourne.

Mr. David Moir
Director (Non-Executive)

Mr. Moir was appointed to the Board on 5 October 2001.

He is currently Advisor to Standard Chartered Bank plc, United Kingdom and was a Non-Executive Director from 2000 to 2004. 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 Institute of Bankers Malaysia (IBBM) in 1987, and was appointed Commander of the Order of the British Empire (CBE) in 2000.

Dato' Abdul Rahim Mokti
Director (Non-Executive)

Dato' Abdul Rahim was appointed to the Board on 28 January 2005. He replaces Datin Husniarti Tamin who had ended her tenure with Danaharta.

He is currently the Deputy Secretary General (Systems and Controls) of Treasury, Ministry of Finance.

Dato' Abdul Rahim started his career in Government service in 1973 as Assistant Secretary (Finance) for Treasury, Ministry of Finance. After a stint as Assistant Secretary (International Trade) for the Ministry of International Trade and Industry (MITI), he was appointed as the Trade Commissioner for Malaysia to countries such as France, Italy and Saudi Arabia.

In 1986, he resumed Government service by becoming the Deputy Secretary General (Finance) for Treasury, Ministry of Finance. He had also served as Deputy Under Secretary (Finance) as well as the Under Secretary (Coordination – Minister of Finance Incorporated, Privatisation and Private Enterprise) for Treasury, Ministry of Finance.

In addition, Dato' Abdul Rahim also sits on several Boards of Directors including Bintulu Port Holdings Berhad, Padiberas Nasional Berhad, Penerbangan Malaysia Berhad, Penang Port Holdings Berhad and Tenaga Nasional Berhad.

Dato' Abdul Rahim holds a Bachelor of Economics (Statistics) from University of Malaya.

Puan Nor Shamsiah Mohd Yunus
Director (Non-Executive)

Puan Nor Shamsiah was appointed to the Board on 28 January 2005. She replaces Dato' Mohd Salleh Hj Harun, who has completed his tenure with Danaharta.

She is currently the Assistant Governor of Bank Negara Malaysia. Prior to this, she was the Director of Bank Regulation Department.

Puan Nor Shamsiah joined Bank Negara in April 1987. She was attached to a number of sections within Bank Regulation department, namely the Statistics section as well as the Banking Operations and Banking Practices section. During her tenure in Bank Regulation, she was involved in developing banking policies and guidelines for the banking sector.

She holds a Bachelor of Arts in Accounting from University of South Australia. She is also a member of the Malaysian Institute of Accountants and the Certified Public Accountants of Australia.

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.

Dato' Othman Abdullah

Dato' Othman Abdullah is the Accountant-General of Malaysia. He sits on the Board of several governmental agencies including Lembaga Hasil Dalam Negeri (Inland Revenue Board), Kumpulan Wang Simpanan Guru and Lembaga Piawaian Perakaunan Malaysia (Malaysian Accounting Standards Board). In the private sector, Dato' Othman is a Board member of Bank Muamalat Berhad, Rashid Hussain Berhad and TimedotCom Berhad.

Prior to his present appointment, Dato' Othman had served as Deputy Accountant-General (Operations), Director of Operation Services Centre and Agency Division, Director of Branch Account Management Division and Deputy General Manager (Finance) of Sabah Electricity Board.

He has a Bachelor's Degree in Economics and a Diploma in Accounting from Universiti Malaya and is a member of the Malaysian Institute of Accountants (MIA).

Dato' Mohd Razif Abdul Kadir

Dato' Mohd Razif is the Assistant Governor of Bank Negara Malaysia (Central Bank of Malaysia) with responsibility covering regulation and development of banking and insurance, Islamic banking and takaful and development of Bank Negara Malaysia. He also oversees the internal risk management of Bank Negara.

He is the Chairman of the Technical Committee of the Islamic Financial Services Board (IFSB) and its Working Group for Capital Adequacy Standards.

He also sits on the Employees Provident Fund (EPF) Investment Panel, the National Trust Fund Panel and the Board of Cagamas Berhad (National Mortgage Corporation). He is the Chairman of MBS Berhad. He was the Director General of the Labuan Offshore Financial Services Authority (LOFSA) from 1999 to 2001.

Dato' Mohd Razif holds a Bachelor of Economics (Honours) Degree from the University of Malaya and a Masters in Business Administration (majoring in Finance) from Syracuse University, New York.

Dato' Zarinah Anwar

Dato' Zarinah is the Deputy Chief Executive of the Securities Commission. She oversees the Commission's Market Supervision, Enforcement and Corporate Resources divisions. She is also a member of the Boards of Directors of Institute Integriti Malaysia and the Capital Market Development Fund and is a member of the Malaysian Venture Capital Development Council.

Prior to joining the Securities Commission, Dato' Zarinah was the Deputy Chairman of Shell Malaysia. Her career with Shell Malaysia spanned twenty two years. During that time, she held key positions including that of Director for Human Resources, Corporate Affairs and Legal.

Dato' Zarinah started her career in the Government's Legal and Judicial service where she served as Magistrate, Senior Assistant Registrar, Solicitor in the Public Trustee's department and Assistant Parliamentary Draftsman in the Attorney General's Chambers.

Dato' Zarinah graduated with an LLB (Hons) from University Malaya in 1976.

MANAGEMENT TEAM

Sitting from left
Mr. Ee Kok Sin (General Manager, Finance and Services)
Puan Fatimah Abu Bakar (General Manager, Internal Audit & Compliance)

Standing from left
Encik Shariffuddin Khalid (General Manager, Communications and Human Resource)
Mr. Richard Kong (General Manager, Operations)
Puan Myrzela Sabtu (Head, Property)
Mr. Andrew Phang Tuck Keong (General Manager, Legal Affairs & Risk and Joint Company Secretary)

Dato' Zukri Samat
(Managing Director)

Corporate Governance

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“Board”) and Management attest that Danaharta’s corporate governance system which is used to direct, govern and control the corporation, has allowed the business to be conducted with integrity, a high level of transparency and objectivity throughout 2004 and to-date.

The Board and Management ensure that business is conducted in an ethical and transparent manner by instilling and promoting good business ethical values and culture through enforcing Danaharta’s Standards of Business Conduct ("SBC") policy. The SBC aims to inculcate three values: honesty, transparency and fairness in the company and its employees. It also sets out high ethical business standards and practices for business conduct and a code of behavior for employees to adhere to. Employees are required to demonstrate compliance with the SBC by declaring their independence annually. Employees are to disclose conflicts of interests as well as untoward obligations to ensure that any activity, external role or relationship do not create or is perceived to be creating conflicts of interest which might impair the independence of Danaharta and its employees.

The SBC is supplemented with the Guidelines on Handling of Frauds, Defalcations, Breaches of the SBC and Misdemeanors. In addition to the SBC, all Directors are required to adhere to the Directors’ Code of Ethics.

The fundamentals of Danaharta’s corporate governance system are rooted in the Pengurusan Danaharta Nasional Berhad Act, 1998 (“Act”). The system complies with international best practice standards of corporate governance and the principles and best practices contained in the Malaysian Code on Corporate Governance. It is designed to operate with the objectives of, “maximizing recovery value of acquired and managed loan assets to fully redeem Danaharta bonds upon maturity, thus minimising the eventual cost to taxpayers ” and “preparing for business closure by end 2005”.

Directors

I. The Board

Danaharta’s Board remains robust and effective, appropriate for the national asset management company's role to complete the restructuring and recovery of its non-performing loan (“NPL”) portfolio. It comprises nine directors namely, a non-executive Chairman, a Managing Director (“MD”), two representatives from the Government [Ministry of Finance (“MOF”)] and Bank Negara Malaysia (“BNM”), three from the private sector, and two from the international community.

The present Board composition is five independent non-executive Directors, three non-independent non-executive Directors and one MD. The Board is deemed independent as the majority of the non-executive Directors are independent. The non-independent non-executive Directors are the two representatives from MOF and BNM and one representative from the private sector.

To ensure a balance of power and authority, the Chairman’s role is clearly separated from the role of the MD (who is an employee and does not have any voting rights). The present Chairman is an independent Director who has extensive experience in public accounting and audit, having previously been the Chairman of a large public accounting firm.

The Directors are suitably qualified and experienced in relevant areas such as banking, property, public accounting and public services sectors. The Directors’ profiles on pages 18 to 21, clearly reflect the depth and diversity of their experience and expertise and the perspective required to lead Danaharta as well as to allow for independent and objective analysis of major issues.

Board's Responsibilities

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: Danaharta's corporate governance, determining general policies and strategies for the short, medium and long term; approving business plans, targets and budgets and all major strategic decisions.

The Board meets formally at least four times a year. In 2004 it met four times, with each meeting presided by the non-executive independent Chairman. All four meetings had full attendance.

As appropriate, the Board has delegated specific authority and responsibilities to the following Board Committees which operate with clearly defined terms of reference (Please refer to pages 32 to 35).

The following Board Committees were set up when Danaharta started its operations in 1998:

- The Board Executive Committee's ("EXCO") primary function is to assist the Board in discharging its role of overseeing business operations. In 2004, EXCO held ten meetings where attendance was full for six of these meetings.
- The Remuneration Committee ("RC") is responsible for making recommendations on the company's framework of employees' remuneration and for determining specific remuneration packages for the MD and the General Manager of Internal Audit & Compliance. The Committee obtains advice on compensation and benefits from internal and external experts. The RC convened three meetings with full attendance in 2004.
- The Audit Committee ("AC") is responsible for providing oversight on reviewing the adequacy and integrity of the internal control system. It also supervises the work of the internal and external auditors. In 2004, the AC held four meetings with full attendance except for one where one member was absent with apologies. The AC had one special meeting with only the external auditors.

The well-attended Board Committee meetings reflect the high level of commitment given by the Board members to Danaharta.

Last but not least, the independent Oversight Committee ("OC"), which was established in November 1998 under Section 22 of the Act, has also functioned well as set out in its terms of reference on page 22. The OC has three members, a representative each from MOF, BNM and the Securities Commission. The OC approves: appointments of Special Administrators and Independent Advisors; any extension or termination of moratorium periods given to companies under Special Administration; and termination of the services of Special Administrators and administration of companies.

II. Supply of Information to the Board

Directors are given a complete set of Board papers for the agenda items submitted for the Board's review / approval and / or notation. The Board papers are generally delivered to the Directors about seven days before each Board meeting.

Directors also get unrestricted access to company records and information. They receive detailed financial and operational reports from Management on a monthly basis. The reports provide a comprehensive review and analysis of the business operations and financial issues. In addition, minutes of the Board Committee and the Management Committee meetings are also tabled for notation by the Board.

The Board collectively, and the Directors individually, have the right to seek independent professional advice at Danaharta's expense. They can also seek the advice and services of the Company Secretary to assist them in carrying out their duties and specific responsibilities. While the Chairman's approval is required, it may not be unreasonably withheld.

III. Appointments & Re-election to the Board

Appointment of the nine Directors to the Board is made by the Minister of Finance as per section 5 of the Act.

The two representatives from MOF and BNM completed their terms upon retiring from active government service. Replacement candidates have been identified and their appointments have been made by the Minister of Finance as per the Act. The Minister appoints such person as he thinks fit and proper to act and assist Danaharta in achieving its objectives.

All newly appointed Directors undergo a standard briefing on Danaharta's operations to facilitate their understanding of the business.

Directors' Remuneration

I. Level of Make-Up

Non-executive 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. Directors' fees and allowances are the same as originally recommended in 1998 by the Board / RC and approved by the MOF (as sole shareholder).

The make-up of MD's remuneration consisting of salary, allowances, bonus and other customary benefits as appropriate, has not changed since 1998.

Salary reviews take into account market rates and the performance of the individual and Danaharta.

II. Procedures

Danaharta's employee remuneration policy and procedures are set out in the Scheme of Services document and the Human Resource Practice Manual. Danaharta subscribes to the principle of fair treatment to all staff. Both these documents have been reviewed and recommended by the RC for approval by the EXCO.

III Disclosure

Directors' emoluments are disclosed in the relevant note to the Financial Statements as an aggregate sum, in conformance with relevant legislation.

Shareholders

I. Dialogue between Companies and Investors

The Government of Malaysia owns Danaharta through the Minister of Finance Incorporated. Dialogue with the shareholder is through the Minister of Finance, attendance at MOF's Senior Management Meeting by the MD and regular meetings with representatives of MOF.

II. Annual General Meeting ("AGM")

AGMs are held by way of Shareholders Circular Resolution. The Annual Report and Financial Statements for the year ending 31 December 2003 were tabled at the sixth AGM by way of shareholders circular resolution on 30 April 2004. Likewise, the Annual Report and Financial Statements for the year ending December 2004 will be tabled at the seventh AGM by way of Shareholders Circular Resolution before end of May 2005.

Accountability and Audit

I. Financial Reporting

Danaharta continues to subscribe to the philosophy of transparent, fair, reliable and clear reporting to stakeholders. This is reflected in its commitment by giving updated assessments on Danaharta's performance through the half-yearly Operations Report, quarterly announcements, press conferences and announcements as well as briefings to analysts and fund managers throughout 2004.

The Board acknowledges and accepts full responsibility for the financial information in this Annual Report. The Board is of the view that the information provides a balanced, clear and meaningful assessment of the company's financial position and prospects.

Statement of Directors' Responsibility for preparing the Financial Statements

The Board is confident that the Financial Statements for the financial year ending 2004 give a true and fair view of the state of affairs, the results and cash flow of the company and the group for the financial year. There is reasonable assurance that Danaharta has maintained proper accounting records, used and consistently applied appropriate accounting policies supported by reasonable and prudent judgements and estimates, and prepared the financial statements to comply with the Companies Act 1965, approved accounting standards in Malaysia and other regulatory provisions.

II. Internal Control

Throughout 2004 and to date, Danaharta's overall risk control framework remains valid and relevant, and is operating satisfactorily. This has given the Board and Management reasonable assurance that Danaharta will achieve its objectives for the year: full redemption of the remaining Danaharta bonds and closure of business operations by end December 2005.

Details of this risk control system are illustrated in the Statement on Internal Control (refer to pages 36 and 37). The Statement provides an overview on the implementation of the risk management process / framework as well as how the internal control system has been designed to manage, rather than eliminate, the risk of failure in achieving Danaharta's objectives.

The Board is responsible for setting the policies relating to risk management, with Management being responsible for implementation. However, the Board delegates its responsibility to the AC, for oversight and review on the adequacy and integrity of the governance, risk management and internal control system. The AC relies on the results of independent appraisals performed by internal auditors, the outcome of statutory audits on financial statements conducted by external auditors and on representations by Management based on results of control self-assessments (introduced in 2001) performed by staff on their areas of responsibility.

III. Relationship with Auditors

The Board, through the AC, maintains a professional and arms-length relationship with the internal and external auditors. The AC is authorised to communicate directly with the auditors. A full AC report outlining its role in relation to the auditors is set out on the following page.

Danaharta's internal auditors assist the AC by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes. Details of Internal Audit & Compliance Division's operations in 2004 are disclosed on pages 86.

Both the external and internal auditors meet the Board at least once a year to review the results of the audit carried out on the Financial Statements and Accounts before the Audited Accounts are presented to the Board.

AUDIT COMMITTEE REPORT

Throughout 2004 and to date, Danaharta's AC continues to perform satisfactorily its oversight role in reviewing the adequacy and integrity of the governance, risk management and control processes in accordance with the Committee's terms of reference set out on page 35.

Memberships and Meetings

The AC's membership comprising independent, non-executive directors went through some changes in 2004 as reflected below:-

Y.Bhg. Dato' Mohd Salleh Hj Harun (Chairman from 20.01.2004 to 28.10 2004)
Mr. Alister T.L. Maitland
Y.Bhg. Dato' Abd Wahab bin Maskan (appointed as member on 20.01.2004)

In the financial year ending 31 December 2004, the AC held four meetings – on 20 January, 2 April, 29 July and 28 October 2004. These meetings were also attended by the MD, General Manager of Finance & Services, General Manager of Legal & Risk and General Manager of Internal Audit and Compliance, who acted as Secretary to the AC. All meetings were fully attended except for the first meeting where one of the members was unable to attend and conveyed his apologies. The external auditors attended the meeting held on 28 October and one additional meeting with only the AC on 2 April.

Minutes of the AC meetings, which provide a summary of the proceedings, were circulated to the Board for notation and discussion (if any). The AC, Board and Management also received quarterly audit summary reports, which include an opinion on the effectiveness of Danaharta's overall internal control framework.

Summary of Activities

At the meeting held on 2 April 2004 where the external auditors had a session with only the AC members, they presented the results of their audit on the company's draft accounts and audited financial statements for the year ended 31 December 2003. The AC then recommended the audited financial statements for Board's approval after it had reviewed the statements and was satisfied that the audited financial statements reflected a true and fair view of Danaharta's operations. At the meeting held on 28 October, both the internal audit plans and the external auditors' statutory audit plans were submitted for review and approval by the AC.

Some of the main issues discussed with the external auditors at these two meetings were:

- Specific plans for closure of Danaharta end 2005; New standards set by the Malaysian Accounting Standards Board ("MASB") (MASB 31 and MASB 32) applicable to the company's consolidated financial statements for the year ended 31 December 2004.
- Focus of external auditors' audit on key business risk areas (such as bond redemption, NPL portfolio recovery, recovery and interest income computation, property disposal etc).
- Special emphasis by external auditors on the consolidation of TTDI Development Group accounts with Danaharta following the disposal of Danaharta's entire investment in TTDI Development Group of Companies

At all the above quarterly meetings, the AC was updated on the business environment, Danaharta's performance and the status of Danaharta's overall internal control framework based on the results of the audits and observations made. The significant results of the audits were tabled and discussed, including follow-up on the progress or completion of the agreed actions arising from the audits performed. At these quarterly meetings, the AC reviewed the Internal Audit activity's performance.

Internal Audit Activity

Throughout 2004, the Internal Audit & Compliance ("IAC") Division assisted the AC in monitoring and reviewing the adequacy and integrity of Danaharta's risk control system and governance process. IAC reports functionally to the the AC and administratively to the MD. A report on the activities of IAC is set out on page 86.

TERMS OF REFERENCE OF THE BOARD OF DIRECTORS ("BOARD")

Membership

The Board is appointed by the Minister of Finance and comprises the following members:

- a non-executive Chairman
- a Managing Director
- two Federal Government officials
- three members from the private sector
- two members from the international community

Meetings

The Board meets at least once each quarter. The quorum for meetings is two members. The Managing Director attends and participates in discussions at Board meetings but does not have any voting rights.

The Board met four times during the period under review.

Authority

The Board is responsible for the policy and general administration of the affairs and business of Danaharta.

Functions

The functions of the Board include the following:

- Formulate general policies and strategies for Danaharta Group
- Appoint key management which will translate the general policies and strategies into detailed business plans
- Review and assess Danaharta Group's financial and operational performance
- Review and assess Danaharta Group's loan and asset portfolio management and ensure its consistency with the Group's business policies and strategies
- Appoint the Executive Committee, Remuneration Committee and Audit Committee and approve their respective Terms of Reference
- Appoint Danaharta's external auditors as well as determine their remuneration

TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE ("EXCO")

Membership

The EXCO, appointed by the Board, 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 two 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 ten times in the period under review.

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 are the following:

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

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 three times in the period under review.

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 Danaharta Group's remuneration structure and policy. This review encompasses all levels of employees, from the Managing Director to executive and clerical levels.
- Evaluate Danaharta Group's annual remuneration revision and bonus.
- Review the Scheme of Service of 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 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 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 three months of that event, appoint new members as may be required to make up the minimum of three 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 of Internal Audit and Compliance and the external auditors may request a meeting if they consider that one is necessary.

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

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

The AC met four times in the period under review.

Authority

The AC is authorized 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 authorized 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 the Board and stakeholders.
- Review the external auditors' report and the annual financial statements and recommend them for acceptance by the Board.
- Consider the nomination and appointment 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 Internal Audit and Compliance Division ("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 reporting on compliance in areas relating to the monitoring and review of control procedures.
- Review the external and internal auditors' evaluation of the internal control systems and subsequently the implementation of the agreed improvements or rectification of the weaknesses highlighted.

STATEMENT OF INTERNAL CONTROL

Introduction

Danaharta had two major goals to achieve in 2004 - to redeem a total of RM7.743 billion of Danaharta bonds ("bonds") and to complete and finalise the company's closure and hand-over plans for 2005 and beyond. The bond redemptions for the year were successfully completed, leaving a balance of RM795 million maturing in end March 2005. As for the closure and hand-over plans, Danaharta's Board of Directors ("Board") has endorsed these plans and they are pending approval by the Ministry of Finance ("MOF").

The achievement of these goals clearly reflect the adequacy of the risk management framework and the robustness and effectiveness of the internal control system. The framework and system have been designed to ensure risks are adequately mitigated and managed such that deviations from Danaharta's intended objectives are kept within acceptable levels.

Throughout 2004 and to date, Danaharta's Board has satisfactorily safeguarded shareholder's investment and the company's assets, whilst overseeing Danaharta's loan recovery and asset disposal operations. To this end, the Board has ensured that Management implements Danaharta's risk management policy, framework and process properly, together with effective implementation of a sound system of internal control and regular assessment of its effectiveness as illustrated below.

Risk Management

The Board first approved Danaharta's Risk Management Policy in 2000 and two revisions were subsequently endorsed in July 2002 and October 2004. Danaharta's risk management strategy aims to optimise recovery value whilst safeguarding the company's reputation by maintaining integrity and independence and avoiding situations arising from conflicts of interest. The risk management process is designed to identify and analyse risks early; measure and monitor these risks; and set acceptable limits and suitable strategies with regard to these risks so as to optimise recovery value.

Management assumes collective responsibility for risk management whilst every employee assumes individual responsibility.

At the strategic level, risk assessment and evaluation form an integral part of the annual strategic business planning process. Each division is required to identify and document its processes and the mitigating measures taken for each risk in achieving its strategic objectives. Strategic responses to significant risks are co-ordinated centrally by the Legal Affairs and Risk Division.

At the operational level, Legal Affairs and Risk Division performs independent reviews on loan management, asset management and investment proposal papers. The reviews form part of an ongoing process of monitoring and addressing credit, interest and valuation risks, loan restructuring failures and performance of service providers.

The proposal papers are tabled at the Management Executive Committee, Management Credit Committee, Asset Management Committee and Assets and Liability Committee meetings. Discussions on the significant risks addressed and the appropriate responses agreed upon are recorded in the minutes of these meetings.

The assessment of risk exposures at both the strategic and operational levels presents Danaharta with the opportunity to monitor and continuously review its management of key risks and to improve on its control processes where necessary.

The biggest challenge for Danaharta in meeting the bond redemptions in 2004 was to realise the budgeted cash collections in a timely manner in order to minimise the gaps in cash flow due to timing mismatch, i.e., the expected recovery is not collected in time to redeem the bonds. Danaharta continues to face external and internal risks which may affect the company's performance. The external risks are, amongst others, the uncertainties in the global economic situation, the performance of the local bourse (Bursa Malaysia) and the recovery of the property sector. Whilst the internal risks include frivolous claims or suits instituted against Danaharta and possibly a high turnover of staff as Danaharta gets closer to its closure date.

Internal Control

A key component of the corporate governance system is Danaharta's internal control framework, anchored by the Pengurusan Danaharta Nasional Berhad Act, 1998 ("Act"). Danaharta's organisation structure, the terms of reference of its Board, Board and Management Committees and authority manual reflect this framework in terms of how Danaharta organises itself to perform its loan recovery functions; to complete redemption of Danaharta bonds; and to ensure closure of business by end 2005.

Since it started operations, Danaharta has invested a considerable amount of time and effort in developing and implementing key policies and procedures based on an assessment of risks for major businesses and support activities. These policies and procedures are properly documented and are subjected to ongoing reviews and revisions to reflect current practices and relevancy.

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

- A comprehensive collection 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.
- Clearly defined approved policies and procedures that meet international standards as stated in the various policy and procedures manuals, which employees are required to abide by when conducting their work;
- Divisional objectives which are set to be in line with Danaharta's overall objectives. Objectives for individual staff are aligned to the divisional objectives. Work activities are supervised and performance monitored and evaluated, i.e., actual results against the agreed targets and objectives;
- Regular monthly reporting and review of performance of loan recovery operations by the Management Credit Committee, disposal and sale of property by the Asset Management Committee, investment and disposal of securities at the Asset & Liability Committee and the overall business performance by the Management Executive Committee.

Meanwhile, key controls are designed and implemented to minimise the major risks which may affect Danaharta's performance. Amongst the key controls are: regular bulletins on the economy and specific sectors; real time tracking & reporting of budgeted collections as well as cash flow to detect any shortfall so as to provide Danaharta with time to implement back-up plans; and close monitoring of staff turnover and constant review of the activities with a view to re-organisation and empowerment.

Assurance

The Board has to ensure proper implementation of the risk management and internal control systems and also do regular reviews on the adequacy and integrity of the systems. This is done through the Audit Committee which performs the oversight role by seeking assurance from Management and the internal and external auditors on the effectiveness of risk management and the control and governance processes.

Management provides assurance by conducting Control-Self Assessment ("CSA") exercises. Annually, each Division performs a self-assessment on its risk control systems and documents / reports the results. Thereafter, each Head of Division prepares and submits to the Managing Director a risk control statement on the effectiveness of the risk management and internal controls for his / her areas of responsibility. The Managing Director in turn, submits his own statement on the state of Danaharta's overall internal control system to the Board, based on the representations made by the Heads of Divisions. In making his representation, the Managing Director also relies on the results of independent audits performed by internal auditors and the results of the external auditors' audit of the financial records and statements.

Internal auditors conducted independent appraisals on Danaharta's business operations and support activities in accordance with the approved internal audit plans for 2004, in order to provide an opinion on the adequacy and integrity of Danaharta's overall internal control framework. External auditors audited the financial records and statements to provide assurance that the latter gave a true and fair view of the state of affairs, the results and cash flow of the Company and the Group for the financial year ended December 2004.

Financial Statements

DIRECTORS´ REPORT

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 2004.

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 with a view of maximising recovery values. The principal activities of the Company’s subsidiary companies are stated in Note 15 to the financial statements.

There have been no significant changes in these principal activities during the financial year except that the Group ceased property development activities as a result of the disposal of its entire equity shares in TTDI Development Sdn Bhd, a subsidiary company of one of its wholly owned subsidiary companies, Danaharta Hartanah Sdn Bhd, as disclosed in Note 7 to the financial statements.

Financial Results

	Group	*Company*
	RM’000	*RM’000*
Net profit for the financial year	84,621	131,651

Dividends

There were no dividends paid, declared or proposed by the Company since the end of the previous financial year.

Reserves and Provisions

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

Share Capital

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

DIRECTORS´ REPORT (CONTINUED)

Directors of the Company

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

Dato' Zainal A Putih	
Dato' Abdul Rahim Mokti	(appointed on 28.01.2005)
Nor Shamsiah Mohd Yunus	(appointed on 28.01.2005)
Dato' N. Sadasivan	
Dato' Abdul Hamidy Hafiz	
Dato' Abd Wahab Maskan	
Alister T.L. Maitland	
David Moir	
Dato' Zukri Samat	
Datin Husniarti Tamin	(resigned on 28.01.2005)
Dato' Mohd Salleh Hj Harun	(resigned on 28.01.2005)

Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiary companies 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 Note 29 to the financial statements and transactions as disclosed in Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm in which 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 in 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 impairment and allowances for diminution in acquired assets. Based on this assessment, as at 31 December 2004, other than the allowances for diminution in acquired assets as disclosed in Note 6 to the financial statements, there were no other further impairment nor allowances for diminution in 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
- 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.

DIRECTORS´ REPORT (CONTINUED)

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 except as disclosed in the income statements and notes to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which the report was made.

Significant Post Balance Sheet Event

On 31 March 2005, the Company successfully redeemed its Thirteenth, Fourteenth and Fifteenth Issues of the redeemable guaranteed zero-coupon bearer bonds upon maturity on 31 March 2005 with a total nominal value of RM796,000,000.

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 1 April 2005.

Dato' Zainal A Putih
Chairman

Dato' Zukri Samat
Managing Director

Kuala Lumpur

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	Group		Company	
		31.12.2004 RM'000	31.12.2003 RM'000	31.12.2004 RM'000	31.12.2003 RM'000
Revenue	4	580,610	812,400	161,705	471,392
Cost of Sales		(127,523)	(155,701)	0	0
Gross profit		453,087	656,699	161,705	471,392
Dividend income		0	0	311,000	250,000
Other income	3(d)	11,880	20,115	10,445	16,089
Overhead expenses	5	(57,135)	(68,266)	(43,423)	(42,050)
Allowance for dimunition in acquired assets	6	(130,404)	(418,524)	(124,044)	(412,446)
Impairment of investment in a subsidiary company	15	0	0	(1,000)	0
Reversal of impairment loss in investment in an associated company		0	6,470	0	0
Loss on disposal of investment in a subsidiary company	7	(9,680)	0	0	0
Loss on disposal of investment in an associated company		0	(6,065)	0	0
Profit from operations	8	267,748	190,429	314,683	282,985
Finance costs	9	(183,127)	(443,876)	(183,032)	(443,855)
Profit / (loss) before taxation		84,621	(253,447)	131,651	(160,870)
Taxation	10	0	2,671	0	0
Net profit / (loss) for the financial year		84,621	(250,776)	131,651	(160,870)

The notes on pages 48 to 76 form an integral part of these financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2004

	Note	Group		Company	
		31.12.2004 RM'000	31.12.2003 RM'000	31.12.2004 RM'000	31.12.2003 RM'000
NON-CURRENT ASSETS					
Acquired assets	11	3,196,765	4,590,187	3,104,864	4,383,940
Investment properties	12	0	125,754	0	0
Land held for development	13	0	75,025	0	0
Property, plant and equipment	14	221	6,050	197	1,051
Investments in subsidiary companies	15	0	0	2,250	3,250
Investment in associated company	16	0	56	0	0
		3,196,986	4,797,072	3,107,311	4,388,241
CURRENT ASSETS					
Inventories	17	0	2,498	0	0
Property development expenditure	18	0	52,177	0	0
Trade and other receivables	19	26,210	76,736	110,626	528,012
Investments in marketable securities	20	0	65,323	0	65,237
Dividend receivables		0	0	0	250,000
Cash and cash equivalents	21	206,493	3,243,740	176,641	2,798,651
		232,703	3,440,474	287,267	3,641,900
LESS : CURRENT LIABILITIES					
Provisions	22	25,160	56,124	20,449	16,384
Borrowings	23	400,000	0	400,000	0
Trade and other payables	24	438,767	794,133	466,699	737,137
Redeemable guaranteed zero-coupon bearer bonds	25	786,099	4,900,841	786,099	4,900,841
Taxation		0	131	0	0
		1,650,026	5,751,229	1,673,247	5,654,362
NET CURRENT LIABILITIES		(1,417,323)	(2,310,755)	(1,385,980)	(2,012,462)
LESS : NON-CURRENT LIABILITIES					
Redeemable guaranteed zero-coupon bearer bonds	25	0	786,099	0	786,099
Deferred taxation	26	0	5,004	0	0
Joint venture	27	0	172	0	0
		0	791,275	0	786,099
		1,779,663	1,695,042	1,721,331	1,589,680
CAPITAL AND RESERVE					
Share capital	28	3,000,000	3,000,000	3,000,000	3,000,000
Accumulated losses		(1,220,337)	(1,304,958)	(1,278,669)	(1,410,320)
Shareholders' equity		1,779,663	1,695,042	1,721,331	1,589,680

The notes on pages 48 to 76 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Share capital RM'000	*Accumulated losses RM'000*	*Total RM'000*
Balance as at 1.1.2004	3,000,000	(1,304,958)	1,695,042
Net profit for the financial year	0	84,621	84,621
Balance as at 31.12.2004	3,000,000	(1,220,337)	1,779,663
Balance as at 1.1.2003	3,000,000	(1,054,182)	1,945,818
Net loss for the financial year	0	(250,776)	(250,776)
Balance as at 31.12.2003	3,000,000	(1,304,958)	1,695,042

The notes on pages 48 to 76 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Share capital RM'000	*Accumulated losses RM'000*	*Total RM'000*
Balance as at 1.1.2004	3,000,000	(1,410,320)	1,589,680
Net profit for the financial year	0	131,651	131,651
Balance as at 31.12.2004	3,000,000	(1,278,669)	1,721,331
Balance as at 1.1.2003	3,000,000	(1,249,450)	1,750,550
Net loss for the financial year	0	(160,870)	(160,870)
Balance as at 31.12.2003	3,000,000	(1,410,320)	1,589,680

The notes on pages 48 to 76 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	31.12.2004 RM'000	31.12.2003 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the financial year		84,621	(250,776)
Adjustments for:			
Depreciation of property, plant and equipment		1,372	2,629
Interest expenses		182,952	443,756
Interest income less amortisation of premium		(52,223)	(140,521)
Gain on disposal of property, plant and equipment		(6)	(1,003)
Gain on disposal of marketable securities		(2,253)	(10,753)
Reversal of impairment loss in an associated company		0	(6,470)
Loss on disposal of investment in an associated company	16	20	6,065
Allowance for diminution in acquired assets	6	130,404	418,524
Allowance for doubtful debts		22	281
Bad debts written off		73	0
Loss on disposal of a subsidiary company		9,680	0
Operating profit before working capital changes		354,662	461,732
Movements in operating assets and liabilities:			
Acquired assets		1,263,018	1,602,861
Other assets		33,540	(6,707)
Other liabilities		(311,608)	283,067
Net cash flow from operating activities		1,339,612	2,340,953
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(145)	(713)
Purchase of unquoted investment		0	(42)
Purchase of redeemable guaranteed zero-coupon bearer bonds		0	(942,017)
Cancellation of redeemable guaranteed zero-coupon bearer bonds		2,607,233	940,600
Proceeds from disposal of associated company	16	36	58,230
Proceeds from disposal of subsidiary company	7	196,604	0
Proceeds from maturity/sale of marketable securities		66,500	546,841
Proceeds from sale of other investment		0	400,648
Proceeds from sale of property, plant and equipment		7	1,212
Interest received		41,582	131,221
Net cash flow from investing activities		2,911,817	1,135,980
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(14)	(109,759)
Drawdown of revolving credit		400,000	0
Payment of borrowings		0	(300,000)
Redemption of redeemable guaranteed zero-coupon bearer bonds			
- discounted value		(5,748,492)	(1,851,049)
- amortised amount		(1,940,170)	(750,351)
Advances to joint venture company		0	(114)
Net cash flow from financing activities		(7,288,676)	(3,011,273)
Net (decrease)/increase in cash and cash equivalents		(3,037,247)	465,660
Cash and cash equivalents at beginning of financial year		3,243,740	2,778,080
Cash and cash equivalents at end of financial year	21	206,493	3,243,740

The notes on pages 48 to 76 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	31.12.2004 RM'000	31.12.2003 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the financial year		131,651	(160,870)
Adjustments for:			
Depreciation of property, plant and equipment		870	1,950
Interest expenses		182,938	443,735
Interest income less amortisation of premium		(39,630)	(127,384)
Dividend income		(311,000)	(250,000)
Gain on disposal of property, plant and equipment		(3)	(729)
Gain on disposal of marketable securities		(2,253)	(10,753)
Impairment of investment in a subsidiary company		1,000	0
Allowance for diminution in acquired assets		124,044	412,446
Operating profit before working capital changes		87,617	308,395
Movements in operating assets and liabilities:			
Acquired loans		1,155,032	1,581,905
Other assets		416,613	51,052
Other liabilities		(266,567)	213,538
Net cash flow from operating activities		1,392,695	2,154,890
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(17)	(43)
Purchase of redeemable guaranteed zero-coupon bearer bonds		0	(942,017)
Cancellation of redeemable guaranteed zero-coupon bearer bonds		2,607,233	940,600
Proceeds from maturity/sale of marketable securities		66,500	546,841
Proceeds from sale of other investment		0	400,648
Proceeds from sale of property, plant and equipment		4	863
Interest received		39,237	129,854
Dividend received		561,000	0
Net cash flow from investing activities		3,273,957	1,076,746
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		0	(109,739)
Drawdown of revolving credit		400,000	0
Payment of borrowings		0	(300,000)
Redemption of redeemable guaranteed zero-coupon bearer bonds			
- discounted value		(5,748,492)	(1,851,049)
- amortised amount		(1,940,170)	(750,351)
Net cash flow from financing activities		(7,288,662)	(3,011,139)
Net (decrease)/increase in cash and cash equivalents		(2,622,010)	220,497
Cash and cash equivalents at beginning of financial year		2,798,651	2,578,154
Cash and cash equivalents at end of financial year	21	176,641	2,798,651

The notes on pages 48 to 76 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

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 15 to the financial statements.

There have been no significant changes in these principal activities during the financial year except that the Group ceased property development activities as a result of the disposal of its entire equity shares in TTDI Development Sdn Bhd, a subsidiary company of one of its wholly owned subsidiary companies, Danaharta Hartanah Sdn Bhd, as disclosed in Note 7 to the financial statements.

The number of employees at the end of the financial year amounted to 230 (2003: 389) employees in the Group and 192 (2003: 202) employees in the Company respectively.

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

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

(a) Basis of accounting

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

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to 31 December 2004 except for those subsidiary companies as disclosed in Note 15(d) to the financial statements. All material inter-company transactions have been eliminated on consolidation.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

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 subsidiary companies. 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 allowances 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 sale and purchase agreement.

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

(vii) Dividend income is recognised when the right to receive payment is established.

(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 the 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 allowance for diminution and repayment.

(f) Allowance for diminution in acquired loans

Secured acquired loans

Specific allowances are made for the shortfall in value between the net realisable value of the collateral and the carrying value of the acquired loan.

Unsecured acquired loans

Specific allowances 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 subsidiary companies, 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.

(h) Investment properties

Investment properties principally comprising leasehold land and building, are held for long term rental yields or to be developed to attain long term yields.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

3. Significant Accounting Policies (continued)

(h) Investment properties (continued)

Investment properties are treated as long term investments and stated at valuation less accumulated impairment losses. The Group revalues its long term investments every five years. Additions subsequent to the date of valuation are stated at cost until the next revaluation exercise.

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 other cases, a decrease in the carrying amount is charged to the income statement.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

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 and the amount in revaluation reserve to that investment property is realised and transferred to retained earnings.

(i) Land held for development

Land held for future development is stated at cost less accumulated impairment losses. When development work commences on such land, the land is transferred to properties under development at its carrying value.

(j) Property, plant and equipment

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

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:

Furniture and fittings	10%-20%
Office equipment	10%-33 1/3 %
Motor vehicles	25%
Computer equipment and software	33 1/3 %
Leasehold land and buildings	2%
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.

(k) 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 operating policies so as to obtain benefits from their activities. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting. Investments in subsidiary companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

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 subsidiary companies to ensure consistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

3. Significant Accounting Policies (continued)

(k) Investment in subsidiary companies (continued)

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.

(l) 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 stated at cost less accumulated impairment losses, and 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.

(m) 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.

(n) Property development expenditure

Properties under development comprising land and development expenditure are stated at cost. Development expenditure includes interest expense on loans and advances utilised to finance on-going development.

(o) Trade receivables

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

(p) 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 yield to date 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 other marketable securities are valued at cost of purchase plus the accretion of discount less amortisation of premium on a yield to date basis.

(q) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on 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.

(r) Provisions

Provisions are recognised when the Group or the Company 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.

(s) Redeemable guaranteed zero-coupon bearer bonds

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 yield to date basis over the duration of the bond.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

3. Significant Accounting Policies (continued)

(t) 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.

(u) Impairment of assets

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

The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

(v) Capitalisation of borrowing costs

Borrowing costs incurred on capital work-in-progress and properties under development are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

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 or property under development, 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) Foreign currency

Foreign currency translations in Group's 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	31.12.2004	31.12.2003
1 USD	3.800	3.800

(x) Financial instruments

(i) Financial instruments recognised on the balance sheet

The Group's financial instruments which are recognised on the balance sheet comprise acquired assets, investment in marketable securities, other investment, redeemable guaranteed zero-coupon bearer bonds, short term borrowings, other borrowings and other items such as trade and other receivables and trade and other payables that arise directly from its operations.

(ii) Financial instruments not recognised on the balance sheet

The Group has bonds issued by its subsidiary companies, namely Danaharta Managers Sdn Bhd ('DMSB'), Danaharta Urus Sdn Bhd ('DUSB') and Securita ABS One Berhad ('Securita') which are not recognised on the balance sheet for reasons disclosed in Notes 15(a), 15(b), 15(c) and 15(d)(ii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

3. Significant Accounting Policies (continued)

(x) Financial instruments (continued)

(iii) Fair value estimation for disclosure purposes

In estimating the fair values of financial instruments, the following assumptions and bases were applied:

(a) The fair values of acquired assets approximate their carrying values as periodic reviews are conducted on the underlying securities of the acquired assets to assess any impairment to the carrying value. Where an indication of impairment exists, the carrying value of acquired assets is assessed and written down immediately to its recoverable amount.

(b) The carrying value of trade and other receivables, with a maturity of less than one year, is assumed to approximate fair value.

(c) The fair value of marketable securities is determined based on the market yield of the same or similar instruments at the balance sheet date as disclosed in Note 20 to the financial statements.

(d) The fair value of the borrowings at the balance sheet date is assumed to approximate its fair value as disclosed in Note 23 to the financial statements.

(e) The carrying amount of cash and cash equivalents approximate fair values because of the short maturity periods of these instruments.

(f) The carrying value of trade and other payables, with a maturity of less than one year, is assumed to approximate fair value.

(g) The fair value of the redeemable guaranteed zero-coupon bearer bonds at the balance sheet date is determined based on the market yield of Malaysian Government Securities with the same tenure as disclosed in Note 25 to the financial statements.

(y) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees' Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Provision for gratuity and retrenchment

The liability in respect of gratuity and retrenchment is recognised when the Group has a present legal or constructive obligation as a result of past events and when it is probable that an outflow of resources will be required to settle the obligation. This provision is calculated based on the number of years of service of the employees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

4. Revenue

	Group		Company	
	31.12.2004 RM'000	31.12.2003 RM'000	31.12.2004 RM'000	31.12.2003 RM'000
Interest income on deposits and placements	50,753	110,956	38,160	97,819
Interest income on marketable securities	1,470	25,508	1,470	25,508
Interest income from other investment	0	4,057	0	4,057
	52,223	140,521	39,630	127,384
Interest income from acquired loans	69,983	311,728	69,983	311,728
Income from recoveries on acquired loans	52,092	32,280	52,092	32,280
Revenue from acquired properties	67,413	90,931	0	0
Revenue from property development	74,501	107,141	0	0
Management fee income	264,398	129,799	0	0
	580,610	812,400	161,705	471,392

5. Overhead Expenses

	Group		Company	
	31.12.2004 RM'000	31.12.2003 RM'000	31.12.2004 RM'000	31.12.2003 RM'000
Personnel costs	37,663	37,973	33,185	31,842
Establishment costs	2,583	3,959	2,209	3,424
Administration and general expenses	16,889	26,334	8,029	6,784
	57,135	68,266	43,423	42,050

6. Allowances for Diminution in Acquired Assets

	Group		Company	
	31.12.2004 RM'000	31.12.2003 RM'000	31.12.2004 RM'000	31.12.2003 RM'000
As at 1 January	972,043	560,566	927,996	515,550
Charged to income statement	130,404	418,524	124,044	412,446
Write-off against acquired properties for completed sales	(26,334)	(7,047)	0	0
As at 31 December	1,076,113	972,043	1,052,040	927,996

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

7. Loss on Disposal of Investment in a Subsidiary Company

TTDI Development Sdn Bhd is a subsidiary company of one of the Company's subsidiary companies, Danaharta Hartanah Sdn Bhd ('DHSB'). It is a private limited liability company, incorporated and domiciled in Malaysia.

On 23 July 2004, DHSB entered into a sale of shares agreement ('Agreement') with Ekspedisi Nikmat Sdn Bhd to dispose off its entire 100% equity interest in TTDI Development Sdn Bhd for a total cash consideration of RM262,800,000.

As stated in item 9 (d) of the First Schedule in the Sale & Purchase Agreement, the purchase consideration has been reduced correspondingly by the payment of final dividend for financial year ended 2003 amounting to RM29,993,500 paid on 24 June 2004.

On 20 September 2004, the sale was completed with a net purchase consideration received of RM232,806,500 and a loss on disposal of RM9,680,000 in the Group.

The effect of the disposal on the Group's results for the period was as follows:

	9 months ended 30.09.2004 RM'000	*Financial year ended 31.12.2003 RM'000*
Revenue	74,501	107,140
Cost of sales	(55,417)	(70,160)
Other income	2,797	5,687
Expenses excluding finance cost and tax	(10,895)	(22,533)
Loss on disposal of subsidiary	(9,680)	0
Profit from operations	1,306	20,134
Finance cost	(95)	(21)
Taxation	0	2,671
Net profit for the period / financial year	1,211	22,784

The cash flows attributable to TTDI Development Sdn Bhd during the financial period were as follows:

	9 months ended 30.09.2004 RM'000	*Financial year ended 31.12.2003 RM'000*
Operating activities	20,412	40,122
Investing activities	2,273	1,214
Financing activities	(60,000)	(139)
Net cash flow on disposal	196,604	0
Total cash flows	159,289	41,197

	At date of disposal RM'000
The net cash flow on disposal is determined as follows:	
Total proceeds from disposal - cash consideration	232,807
Cash and cash equivalents of subsidiary disposed of	(36,203)
Net cash inflow on disposal	196,604

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

7. Loss on Disposal of Investment in a Subsidiary Company (continued)

	At date of disposal RM'000
The effect of the disposal on the financial position of the Group was as follows:	
Property, plant and equipment	4,601
Other investments	86
Investment properties	125,866
Land held for future development	75,052
Inventories	2,426
Property development expenditure	30,048
Trade and other receivables	48,257
Fixed deposits and placements	26,700
Cash and bank balances	9,503
Trade and other payables	(39,420)
Provisions	(35,497)
Taxation	(131)
Deferred taxation	(5,004)
Net assets disposed off	242,487
Net disposal proceeds	(232,807)
Loss on disposal before and after tax	(9,680)

	31.12.2003 RM'000
Non-current assets	205,832
Current assets	171,340
Total assets	377,172
Current liabilities	(80,414)
Non-current liabilities	(5,176)
Total liabilities	(85,590)
Net assets	291,582

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

8. Profit from Operations

The following items have been charged / (credited) in arriving at profit from operations:

	Group		Company	
	31.12.2004 RM'000	31.12.2003 RM'000	31.12.2004 RM'000	31.12.2003 RM'000
Auditors' remuneration				
- Statutory audit	300	346	170	144
- Other services	10	34	10	34
Allowance for doubtful debts	22	281	0	0
Arbitrator's award	0	1,000	0	0
Bad debts written off	73	0	0	0
Directors' remuneration (Note 29)				
- Remuneration	1,437	1,653	1,405	1,575
- Defined contribution plan	144	59	144	59
Depreciation of property, plant and equipment	1,372	2,629	870	1,950
Defined contribution plan	4,334	4,478	3,204	3,143
Flood mitigation and beautification expenses	0	1,374	0	0
Gain on disposal of property, plant and equipment	(6)	(1,003)	(3)	(729)
Gain on disposal of marketable securities	(2,253)	(10,753)	(2,253)	(10,753)
Hire of equipment	413	476	372	426
Loss on disposal of investment in an associated company	20	6,065	0	0
Provisions charged to the income statement	6,810	41,285	5,600	5,312
Rental of premises	2,420	2,671	1,957	2,157
Share of profit from joint ventures	0	(463)	0	0

9. Finance Costs

	Group		Company	
	31.12.2004 RM'000	31.12.2003 RM'000	31.12.2004 RM'000	31.12.2003 RM'000
Interest expenses:				
- Long term loan interest expense	0	10,399	0	10,399
- Amortisation of discount on zero-coupon bonds	182,743	433,336	182,743	433,336
- Interest on revolving credit	195	0	195	0
- Interest on bank overdrafts	14	21	0	0
	182,952	443,756	182,938	443,735
Bank charges	175	120	94	120
	183,127	443,876	183,032	443,855

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

10. Taxation

	Group 31.12.2004 RM'000	Group 31.12.2003 RM'000
Income tax		
- over provision in prior year	0	2,671

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.

The exemption granted to the Company and its subsidiary companies have been extended for another two years commencing Year of Assessment 2004 until Year of Assessment 2005 following the Letter from the Minister of Finance ('MOF') dated 27 August 2003, by the powers vested onto the Minister of Finance under Section 127(3) (b) Income Tax Act 1967.

11. Acquired Assets

	Group		*Company*	
	31.12.2004 RM'000	*31.12.2003 RM'000*	*31.12.2004 RM'000*	*31.12.2003 RM'000*
Acquired loans	3,104,864	4,383,940	3,104,864	4,383,940
Acquired properties	91,901	206,247	0	0
	3,196,765	4,590,187	3,104,864	4,383,940

Allowance for diminution of the Group of RM1,076 million (2003: RM972 million) as disclosed in Note 6 to the financial statements is made up of allowance against acquired loans of RM1,052 million (2003: RM928 million) in the Company and against acquired properties of RM24 million (2003: RM44 million) in a subsidiary company.

Acquired loans are analysed by economic sector as follows:

	Loan Rights Acquired		*Carrying Value*	
	31.12.2004 RM'000	*31.12.2003 RM'000*	*31.12.2004 RM'000*	*31.12.2003 RM'000*
Agriculture, hunting, forestry and fishing	258,059	258,059	118,545	131,511
Manufacturing	1,771,301	1,771,301	230,270	240,817
Electricity, gas and water	3,762	3,762	0	0
Wholesale, retail, restaurants and hotels	913,626	913,626	68,622	132,836
Construction	6,216,138	6,216,138	1,908,364	2,265,150
Purchase of residential property	992,553	992,553	191,817	329,589
Real Estate	1,426,297	1,426,297	179,630	616,865
Transport, storage and communications	126,565	126,565	3,421	137
Financing, insurance and business services	2,429,675	2,429,675	213,786	255,761
Consumption credit	226,178	226,178	1,378	5,383
Purchase of securities	1,436,475	1,436,475	176,335	348,737
Mining	368,061	368,061	11,894	14,757
Others	3,649,214	3,649,214	802	42,397
	19,817,904	19,817,904	3,104,864	4,383,940

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

11. Acquired Assets (continued)

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 a 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.

12. Investment Properties

	Group	
	31.12.2004	*31.12.2003*
	RM'000	*RM'000*
At cost		
- Long term leasehold land	0	58,018
- Buildings	0	67,736
	0	125,754

The investment properties belonging to a subsidiary company, TTDI Development Sdn Bhd, were disposed of by the Group in conjunction with the disposal of TTDI Development Sdn Bhd.

13. Land Held for Development

	Group	
	31.12.2004	*31.12.2003*
	RM'000	*RM'000*
At cost	0	75,025

Land held for development principally consists of leasehold land for a term of 99 years, expiring between the years 2083 and 2102.

The land held for development belonging to a subsidiary company, TTDI Development Sdn Bhd, were disposed of by the Group in conjunction with the disposal of TTDI Development Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

14. Property, Plant and Equipment

	Furniture and fittings RM'000	*Office equipment RM'000*	*Motor vehicles RM'000*	*Computer equipment and software RM'000*	*Leasehold land and building RM'000*	*Office renovation RM'000*	*Total RM'000*
Group							
2004							
Cost							
As at 1 January 2004	8,421	7,107	1,387	3,613	3,361	831	24,720
Additions	19	94	0	7	25	0	145
Disposals	(73)	(5)	0	0	0	0	(78)
Written-off	0	(4)	0	0	0	0	(4)
Disposal of a subsidiary company	(1,047)	(5,044)	(885)	0	(3,386)	(831)	(11,193)
As at 31 December 2004	7,320	2,148	502	3,620	0	0	13,590
Accumulated depreciation							
As at 1 January 2004	7,535	5,992	1,218	3,486	246	193	18,670
Charge during the financial year	611	441	71	106	81	62	1,372
Disposals	(73)	(4)	0	0	0	0	(77)
Written-off	0	(4)	0	0	0	0	(4)
Disposal of a subsidiary company	(795)	(4,395)	(820)	0	(327)	(255)	(6,592)
As at 31 December 2004	7,278	2,030	469	3,592	0	0	13,369
Net book value							
As at 31 December 2004	42	118	33	28	0	0	221

	Furniture and fittings RM'000	*Office equipment RM'000*	*Motor vehicles RM'000*	*Computer equipment and software RM'000*	*Leasehold land and building RM'000*	*Office renovation RM'000*	*Total RM'000*
Group							
2003							
Cost							
As at 1 January 2003	8,548	6,958	4,132	3,610	2,935	464	26,647
Additions	51	225	47	23	0	367	713
Transfer from inventories	0	0	0	0	426	0	426
Disposals	(139)	(30)	(2,792)	0	0	0	(2,961)
Written-off	(39)	(46)	0	(20)	0	0	(105)
As at 31 December 2003	8,421	7,107	1,387	3,613	3,361	831	24,720
Accumulated depreciation							
As at 1 January 2003	6,137	5,390	3,715	3,359	176	121	18,898
Charge during the financial year	1,539	667	134	147	70	72	2,629
Disposals	(102)	(19)	(2,631)	0	0	0	(2,752)
Written-off	(39)	(46)	0	(20)	0	0	(105)
As at 31 December 2003	7,535	5,992	1,218	3,486	246	193	18,670
Net book value							
As at 31 December 2003	886	1,115	169	127	3,115	638	6,050

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

14. Property, Plant and Equipment (continued)

	Furniture and fittings RM'000	*Office equipment RM'000*	*Motor vehicles RM'000*	*Computer equipment and software RM'000*	*Total RM'000*
Company					
2004					
Cost					
As at 1 January 2004	7,040	1,906	502	3,279	12,727
Additions	0	10	0	7	17
Disposals	(12)	(5)	0	0	(17)
Written-off	0	(4)	0	0	(4)
As at 31 December 2004	7,028	1,907	502	3,286	12,723
Accumulated depreciation					
As at 1 January 2004	6,454	1,649	421	3,152	11,676
Charge during the financial year	544	172	48	106	870
Disposals	(12)	(4)	0	0	(16)
Written-off	0	(4)	0	0	(4)
As at 31 December 2004	6,986	1,813	469	3,258	12,526
Net book value					
As at 31 December 2004	42	94	33	28	197
Company					
2003					
Cost					
As at 1 January 2003	7,141	1,914	2,582	3,276	14,913
Additions	0	20	0	23	43
Disposals	(101)	(28)	(2,080)	0	(2,209)
Written-off	0	0	0	(20)	(20)
As at 31 December 2003	7,040	1,906	502	3,279	12,727
Accumulated depreciation					
As at 1 January 2003	5,112	1,339	2,341	3,029	11,821
Charge during the financial year	1,413	329	65	143	1,950
Disposals	(71)	(19)	(1,985)	0	(2,075)
Written-off	0	0	0	(20)	(20)
As at 31 December 2003	6,454	1,649	421	3,152	11,676
Net book value					
As at 31 December 2003	586	257	81	127	1,051

15. Investment in Subsidiary Companies

	Company	
	31.12.2004 RM'000	*31.12.2003 RM'000*
Unquoted shares in Malaysia, at cost	3,250	3,250
Less: Accumulated impairment losses	(1,000)	0
Investments in subsidiary companies	2,250	3,250

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

15. Investment in Subsidiary Companies (continued)

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

Name	*Paid-up capital*	*Effective interest 2004*	*Effective interest 2003*	*Principal activity*
	RM	*%*	*%*	
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	Acquiring and managing properties
Danaharta Perhotelan Sdn Bhd	2	100	100	Dormant
Danaharta Consultancy Services Sdn Bhd	250,000	100	100	Dormant
Danaharta Industri Sdn Bhd	2	100	100	Dormant
Prokhas Sdn Bhd	2	100	100	Dormant
Danaharta Kredit Sdn Bhd	2	100	100	Dormant
Securita ABS One Berhad*	2	100	100	Asset management
Securita ABS Two Berhad	2	100	100	Dormant
Securita ABS Three Berhad	2	100	100	Dormant
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	0	100	Property development
Subsidiary companies of TTDI Development Sdn Bhd				
TTDI Jaya Sdn Bhd #	25,779,000	0	100	Property development
TTDI Harta Sdn Bhd (formerly known as Pandan Maju Sdn Bhd) #	6,000,000	0	100	Property development
Tadisma Harta Sdn Bhd #	1,000,000	0	100	Property development
TTDI Management Sdn Bhd #	500,000	0	100	Dormant
Tenaga Meranti Sdn Bhd #	250,002	0	100	Property investment
TTDI Properties Sdn Bhd #	2	0	100	Property investment
TTDI Realty Sdn Bhd #	500,000	0	100	Property investment
Subsidiary companies of TTDI Harta Sdn Bhd (formerly known as Pandan Maju Sdn Bhd)				
Indasaham Sdn Bhd #	100,000	0	70	Property development
Ikhlas Murni Sdn Bhd #	2	0	100	Property investment

\# *Subsidiary companies not audited by PricewaterhouseCoopers. On 20 September 2004, these subsidiary companies were disposed of as explained in Note 7 to the financial statements.*

* *Subsidiary companies not consolidated as explained in Note 15(d) to the financial statements.*

\+ *Subsidiary companies in Members' Voluntary Liquidation.*

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

15. Investment in Subsidiary Companies (continued)

(a) Danaharta Managers Sdn Bhd

Following the agreement between Bank Negara Malaysia, the Company and Danaharta Managers Sdn Bhd ('DMSB') on 7 December 1998, the Non-Performing Loans ('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 issued zero-yield bonds for the consideration of the acquisition, the redemption of which is conditional upon the recovery of the acquired assets and is indemnified by Bank Negara Malaysia.

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

Issue	*Date of Issue*	*Date of maturity*	*Amount Issued '000*
First	31 December 1998	30 December 2009	RM4,325,184
Second	05 March 1999	04 March 2009	USD980,000
Third	09 June 1999	08 June 2009	RM511,592
Fourth	15 June 1999	14 June 2009	RM1,056,412
Fifth	30 September 1999	29 September 2009	RM23,603
Sixth	22 October 1999	21 October 2009	RM335,393
Seventh	01 November 1999	31 October 2009	USD174,280
Eighth	19 November 1999	18 November 2009	USD25,239
Ninth	22 December 1999	21 December 2009	RM111,369
Tenth	14 January 2000	13 January 2010	USD73,479
Eleventh	29 February 2000	26 February 2010	RM256,668
Twelfth	29 February 2000	26 February 2010	USD12,290
Thirteenth	08 August 2000	07 August 2010	RM45,900
Fourteenth	03 January 2001	02 January 2011	RM166,333
Fifteenth	30 November 2001	29 November 2011	RM40,011

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 on the balance sheet of DMSB or on the consolidated balance sheet of the Group. The total loan rights of the assets under management of DMSB at acquisition dates are RM11.4 billion (2003: 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 (approximately 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 on DMSB's balance sheet or on the consolidated balance sheet of the Group. The total loan rights of the assets under management of DMLL at acquisition dates are RM5.1 billion (2003: RM5.1 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 Bank Bumiputera Malaysia Berhad ('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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

15. 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	USD 5,990
Eleventh	12 September 2002	28 February 2006	RM545,108	RM463,958
Twelfth	12 September 2002	28 April 2006	RM78,327	RM66,678
Thirteenth	12 September 2002	30 June 2006	RM43,060	RM36,846
Fourteenth	12 September 2002	28 February 2006	USD 48,848	USD 42,933

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 on the respective balance sheet of DUSB or on the consolidated balance sheet of the Group. The total loan rights of the assets under management of DUSB at acquisition dates are RM11.3 billion (2003: RM11.3 billion).

As at 31 December 2004, DUSB has refinanced the outstanding balance of initial bonds maturing in the year 2004 as follows:

Issue	*Date of Issue*	*Date of maturity*	*Nominal/ Maturity Value '000*	*Discounted Value '000*
First	31 March 2004	31 March 2009	RM1,712,132	RM1,401,106
Second	31 March 2004	31 March 2009	USD36,419	USD31,836
Third	31 December 2004	31 December 2014	RM6,081,047	RM3,796,459
Fourth	31 December 2004	31 December 2014	USD187,990	USD123,705
Ninth	31 December 2004	31 December 2014	RM32,201	RM20,104

(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 assumed a liability of RM23,603,000 for the consideration of the acquisition and the remainder was paid in cash.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

15. Investment in Subsidiary Companies (continued)

(d) Subsidiary Companies Not Consolidated (continued)

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

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 on 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.

(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), 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 comprise term loans, revolving credit facilities, overdrafts and omnibus facilities which amount 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 and in the absence of control over the financial and operating policies of these companies, in accordance with MASB 11 Consolidated Financial Statements and Investments in Subsidiaries, the Companies Commission of Malaysia 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

16. Investment in Associated Company

	Group	
	31.12.2004	*31.12.2003*
	RM'000	*RM'000*
Share of net assets of associated company	0	56

The details of the associated company are as follows:

Name	*Country of incorporation*	*Effective Interest*	
		2004	*2003*
Colour Metal Sdn Bhd	*Malaysia*	*0%*	*28%*

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

On 30 June 2004, TTDI Realty Sdn Bhd, a subsidiary of TTDI Development Sdn Bhd, disposed of its entire equity interest in Colour Metal Sdn Bhd for a total cash consideration of RM36,400. The transaction resulted in a loss of RM19,598.

17. Inventories

	Group	
	31.12.2004	*31.12.2003*
	RM'000	*RM'000*
Developed properties, at cost	0	2,498

The inventories belonging to a subsidiary company, TTDI Development Sdn Bhd, were disposed of by the Group in conjunction with the disposal of TTDI Development Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

18. Property Development Expenditure

	Group	
	31.12.2004	*31.12.2003*
	RM'000	*RM'000*
At 1 January		
Land	30,867	9,569
Development costs	573,013	472,657
Accumulated costs charged to income statement	(551,703)	(353,075)
	52,177	129,151
Transfer from land for property development	0	22,200
Development costs incurred during the year	36,260	33,487
	36,260	55,687
Transfer to land held for property development	(4,238)	(902)
Cost charged to income statement	(54,151)	(131,759)
	(58,389)	(132,661)
At 30 September/31 December		
Land	26,629	30,867
Development costs	609,273	573,013
Accumulated costs charged to income statement	(605,854)	(551,703)
	30,048	52,177
Less: Disposal of a subsidiary company	(30,048)	0
	0	52,177

The portion of property development expenditure in respect of which significant development has been undertaken and which is expected to be completed within the normal operation cycle of two to three years is considered as current asset.

The property development expenditure belonging to a subsidiary company, TTDI Development Sdn Bhd, was disposed of by the Group in conjunction with the disposal of TTDI Development Sdn Bhd.

19. Trade and Other Receivables

	Group		Company	
	31.12.2004	*31.12.2003*	*31.12.2004*	*31.12.2003*
	RM'000	*RM'000*	*RM'000*	*RM'000*
Trade Receivables	0	38,194	0	0
Less: Allowance for doubtful debts	0	(732)	0	0
	0	37,462	0	0
Amounts due from subsidiary companies	0	0	85,192	495,004
Other receivables	1,421	7,173	865	1,385
Accrued interest receivable	226	1,220	31	804
Staff loans	24,417	30,556	24,392	30,530
Loan to Director	146	289	146	289
Amount due from associated company	0	36	0	0
	26,210	76,736	110,626	528,012

The entire trade and other receivables balances are denominated in Ringgit Malaysia.

The amounts due from subsidiary companies and associated company are unsecured, free of interest and with no fixed terms of repayment.

The carrying value approximates the fair value due to the relatively short term nature.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

20. Investments in Marketable Securities

	Group		*Company*	
	31.12.2004	*31.12.2003*	*31.12.2004*	*31.12.2003*
	RM'000	*RM'000*	*RM'000*	*RM'000*
Unquoted Money Market Instruments in Malaysia				
Government backed securities:				
Khazanah Bonds	0	20,338	0	20,338
Private debt securities	0	36,920	0	36,920
	0	57,258	0	57,258
Accretion of discounts less amortisation of premium	0	7,979	0	7,979
	0	65,237	0	65,237
Unquoted securities in Malaysia				
Shares	0	86	0	0
	0	65,323	0	65,237

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

	Group		*Company*	
	31.12.2004	*31.12.2003*	*31.12.2004*	*31.12.2003*
	RM'000	*RM'000*	*RM'000*	*RM'000*
One year to three years	0	65,323	0	65,327

The weighted average yield rates for the government backed securities and private debt securities that were effective in the financial year 2003 were 4.38% and 5.27% respectively. The entire balance of investments in marketable securities is denominated in Ringgit Malaysia.

The credit profile of the investments in private debt securities by Rating Agency Malaysia Berhad are as follows:

	Group and Company	
	31.12.2004	*31.12.2003*
	RM'000	*RM'000*
AA	0	12,752
AA (bg)	0	24,168
	0	36,920

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

20. Investments in Marketable Securities (continued)

The fair values of the investments in marketable securities as at balance sheet date are as follows:

	Average Market Yield		*Group*		*Company*	
	2004	*2003*	*31.12.2004*	*31.12.2003*	*31.12.2004*	*31.12.2003*
	%	*%*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Unquoted Money Market Instruments in Malaysia						
Government backed securities:						
Khazanah Bonds	0	2.71	0	24,690	0	24,690
Private debt securities	0	3.63	0	41,290	0	41,290
			0	65,980	0	65,980
Unquoted securities in Malaysia						
Shares			0	86	0	0
			0	66,066	0	65,980

The fair values of investments in unquoted money market instruments are determined based on the market yield of the same or similar instruments at balance sheet date. The carrying values of the unquoted securities at the balance sheet date approximated their fair values.

21. Cash and Cash Equivalents

	Group		*Company*	
	31.12.2004	*31.12.2003*	*31.12.2004*	*31.12.2003*
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deposits with licensed banks	158,636	2,148,460	137,719	1,754,157
Deposits with licensed finance companies	28,601	1,020,206	28,601	999,619
Cash and bank balances	19,256	75,074	10,321	44,875
	206,493	3,243,740	176,641	2,798,651

Included in the cash and bank balances in 2003 is an amount of RM8.88 million held under the Housing Development Account as required under Section 4 of the Housing Development (Housing Development Account) Regulations 1991.

Included in the fixed deposits with finance companies in 2003 is an amount of 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.

Cash and cash equivalents as at the balance sheet date are all denominated in Ringgit Malaysia.

The weighted average interest rate for cash and cash equivalent balances that was effective during the year was 2.76 % (2003: 2.91%).

Deposits of the Group and Company have an average maturity of 34 days (2003: 71 days). Bank balances are deposits held at call with banks.

The carrying amounts of cash and cash equivalents approximate their fair values because of the short maturity periods of these instruments.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

22. Provisions

	Development expenditure RM'000	*Gratuity and retrenchment RM'000*	*Total RM'000*
Group			
2004			
As at 1 January 2004	35,497	20,627	56,124
Charged to the income statement	0	6,810	6,810
Utilised during the financial year	0	(2,277)	(2,277)
Disposal of a subsidiary company	(35,497)	0	(35,497)
As at 31 December 2004	0	25,160	25,160
Company			
2004			
As at 1 January 2004	0	16,384	16,384
Charged to the income statement	0	5,600	5,600
Utilised during the financial year	0	(1,535)	(1,535)
As at 31 December 2004	0	20,449	20,449

The provision for development expenditure was made in respect of the Group's obligation to contractors and consultants as well as cost for infrastructure works.

The provision for gratuity and retrenchment comprise gratuity payments and employee termination payments. This provision is calculated based on the number of years of service of the employees.

23. Borrowings

	Group and Company	
	31.12.2004 RM'000	*31.12.2003 RM'000*
Revolving credit	400,000	0

This relates to drawdowns on a RM1.4 billion revolving credit facility ('RC') guaranteed by the Government of Malaysia and it is denominated in Ringgit Malaysia. The interest on the revolving credit is at a fixed rate of 3.55% per annum and is calculated on the carrying value of the loan and is payable on the maturity date of the loan. The details of the loans are summarised below:

Lender	*Date of drawdown*	*Date of maturity*	*Repayment amount RM'000*	*Principal upon drawdown RM'000*
Affin Bank Berhad	27 December 2004	27 June 2005	203,540	200,000
Bumiputra-Commerce Bank Berhad	27 December 2004	27 June 2005	203,540	200,000
			407,080	400,000

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

24. Trade and Other Payables

	Group		*Company*	
	31.12.2004 RM'000	*31.12.2003 RM'000*	*31.12.2004 RM'000*	*31.12.2003 RM'000*
Trade payables	0	16,431	0	0
Deferred interest income on acquired assets	287,548	485,902	287,548	485,902
Security deposits	62,522	69,738	62,522	69,138
Other liabilities	88,697	222,062	63,941	176,166
Amounts due to subsidiary companies	0	0	52,688	5,931
	438,767	794,133	466,699	737,137

The fair values at the balance sheet date approximate the carrying values due to the relatively short term nature.

All trade and other payables are denominated in Ringgit Malaysia.

Amounts due to subsidiary companies are interest free, unsecured with no fixed terms of repayment.

25. Redeemable Guaranteed Zero-Coupon Bearer Bonds

		Group and Company	
		31.12.2004 RM'000	*31.12.2003 RM'000*
Nominal value of bonds		796,000	8,539,000
Less: Unamortised discount		(9,901)	(246,982)
		786,099	8,292,018
Less :	Cost of investment in own bonds	0	(2,394,877)
	Accretion of discount	0	(210,201)
		786,099	5,686,940
Discount upon issuance		178,934	2,173,442
Amortisation to date		(169,033)	(1,926,460)
Unamortised discount as at 31 December		9,901	246,982

The maturity structure of the redeemable guaranteed zero-coupon bearer bonds are as follows:

	Group and Company	
	31.12.2004 RM'000	*31.12.2003 RM'000*
Less than one year	786,099	4,900,841
More than one year	0	786,099
	786,099	5,686,940

These bonds are guaranteed by the Government of Malaysia and 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

25. Redeemable Guaranteed Zero-Coupon Bearer Bonds (continued)

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
Redeemed during the financial year ended 31 December 2003			(2,601,400)	(1,851,049)
Redeemed during the financial year ended 31 December 2004			(7,743,000)	(5,748,492)
			796,000	617,066

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 5.3% per annum (2003: 6.1%) (being the internal rate of return of the bonds). The bonds are denominated in Ringgit Malaysia.

The First to the Twelfth Issues have been successfully redeemed by the Company as at 31 December 2004.

As disclosed in Note 32 to the financial statements, the Company has fully redeemed all the Thirteenth, Fourteenth and Fifteenth Issues of bonds which matured on 31 March 2005.

26. Deferred Taxation

	Group	
	31.12.2004 RM'000	*31.12.2003 RM'000*
At 1 January	5,004	5,004
Disposal of a subsidiary company	(5,004)	0
At 31 December	0	5,004

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

	Group	
	31.12.2004 RM'000	*31.12.2003 RM'000*
Unutilised tax losses	0	(14,591)
Temporary differences	0	8,997

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

27. Joint Venture

	Group	
	31.12.2004 *RM'000*	*31.12.2003* *RM'000*
Advances to joint venture	0	916
Share of losses	0	(1,088)
	0	(172)

28. Share Capital

	Group and Company	
	31.12.2004 *RM'000*	*31.12.2003* *RM'000*
Ordinary shares of RM1 each		
Authorised:		
As at 1 January / 31 December	10,000,000	10,000,000
Issued and fully paid:		
As at 1 January / 31 December	3,000,000	3,000,000

29. Directors' Remuneration

Forms of remuneration in aggregate for all Directors charged to the income statement for the financial year are as follows:

	Group		*Company*	
	31.12.2004 *RM'000*	*31.12.2003* *RM'000*	*31.12.2004* *RM'000*	*31.12.2003* *RM'000*
Fees	112	110	80	80
Other remuneration				
- Executive Director	1,283	1,207	1,283	1,207
- Non-executive Directors	186	395	186	347
	1,581	1,712	1,549	1,634

The estimated monetary value of benefits-in-kind received by the Directors during the financial year amounted to RM13,146 (2003: RM19,010).

30. 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 Khazanah Nasional Berhad with a total carrying value of RM24 million as at 31 December 2003. The interest income credited to the income statement from these investments in 2003 amounts to RM14 million. Details of such investments are disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

30. Related Party Disclosures (continued)

(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 15 to the financial statements.

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

	Group	
	31.12.2004 *RM'000*	*31.12.2003* *RM'000*
Sale of properties to :-		
- Directors of the Company	2,700	0
- Directors of subsidiary companies	1,609	0
- Spouse of senior management of the Company	594	0

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

31. Financial Risk Management Objectives and Policies

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. Operating within such a business environment, the Group's overall financial risk management objective is to maximise recovery value for assets within the Group's portfolio, which will result in a minimisation of losses incurred over the long term.

The Group's normal course of business exposes it to a variety of financial risks, including credit risk, interest rate risk, liquidity and cash flow risk, and foreign currency exchange risk. Financial risk management is carried out through regular risk reviews, setting up and adherence of appropriate policies and guidelines, and a comprehensive internal control system. The Board regularly reviews these risks and the policies and guidelines, and internal control system which cover the management of financial risks.

The following is a summary of the major financial risks:

(i) Credit risk

(a) Acquired assets

Acquired assets are mainly NPLs acquired from financial institutions and other financial assets derived from subsequent loan restructuring. The Group inherited the credit risks associated with the acquired NPLs and generally does not have any control over the credit initiation process.

As such, the Group's credit risk management process focuses on preventing deterioration of the inherited credit profile of acquired assets. This is accomplished by putting in place proper loan management and operations policies and guidelines, and regular risk reviews, monitoring and tracking of the individual asset.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

31. Financial Risk Management Objectives and Policies (continued)

(i) Credit risk (continued)

(b) Investment in marketable securities and other investment

The Group's investment strategy seeks to maximise credit quality and optimise yield, thus minimising risk of loss or impairment of invested funds. This is achieved by putting in place an investment policy, which among others, sets out the permissible investment criteria, investment limits and counter party limits.

(c) Trade and other receivables

The Group has a general credit policy in place and exposure to credit risk is monitored on an ongoing basis.

(d) Concentration of credit risk

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Interest rate risk

A large portion of the Group's financial liabilities comprises of redeemable guaranteed zero-coupon bearer bonds which are at fixed rates, while its financial assets, comprising mainly of acquired loans and investments, are at floating rates. This mismatch exposes the Group to potential interest rate risk.

While the above interest rate profile was a conscious decision made during the inception of the Group, the interest rate profile of acquired loans and investments is regularly reviewed against prevailing and anticipated market interest rates to ensure potential exposure, if any, is within acceptable level.

(iii) Liquidity and cash flow risk

The bulk of the Group's financial assets comprise NPLs acquired from financial institutions and other financial assets derived from subsequent loan restructuring. Given the non-performing nature of such assets, timing and quantum of recovery are subjected to an element of uncertainty, while the Group's financial liabilities, comprising mainly of redeemable guaranteed zero-coupon bearer bonds and short term borrowings, have fixed maturity dates. This exposes the Group to potential liquidity and cash flow risk.

To ensure the Group is able to meet its obligations when they fall due, the asset and liability gap position of the Group is reviewed and monitored on an ongoing basis. The Group also has in place a contingency plan to cover cash flow timing mismatch if required.

(iv) Foreign currency exchange risk

The Group's financial assets and liabilities are all denominated in Ringgit Malaysia and hence not exposed to any significant foreign currency exchange risk.

32. Significant Post Balance Sheet Event

On 31 March 2005, the Company successfully redeemed its Thirteenth, Fourteenth and Fifteenth Issues of the redeemable guaranteed zero-coupon bearer bonds upon maturity on 31 March 2005 with a total nominal value of RM796,000,000.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (CONTINUED)

33. Contingent Liabilities

As at 31 December 2004, the total contingent liability in the Company is RM125 million (2003: RM125 million).

This relates to a guarantee issued by the Company at the request of a borrower to a financial institution for a loan facility, the proceeds of which were utilised to pay down the borrower's exposure with the Company. In the event certain conditions for the loan facility are not fulfilled within a fixed time period, the Company undertakes to refund the proceeds received earlier.

34. Approval Of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 1 April 2005.

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

We, Dato' Zainal A Putih and Dato' Zukri Samat, 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 42 to 76 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 2004 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 provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 1 April 2005.

DATO' ZAINAL A PUTIH
Chairman

DATO' ZUKRI SAMAT
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 42 to 76 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

EE KOK SIN

Subscribed and solemnly declared by the abovenamed Ee Kok Sin at Kuala Lumpur in Wilayah Persekutuan on 1 April 2005 before me:

BARATHAN A/L SINNIAH @ CHINNIAH
Commissioner For Oaths
Kuala Lumpur

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REPORT OF THE AUDITORS TO THE MEMBERS OF PENGURUSAN DANAHARTA NASIONAL BERHAD

(COMPANY NO. 464363 W)
(INCORPORATED IN MALAYSIA)

We have audited the financial statements set out on pages 42 to 76. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion based on our audit, and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purposes. We do not assume responsibility to any other person for the content of this report.

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 2004 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 subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

PRICEWATERHOUSECOOPERS

REPORT OF THE AUDITORS TO THE MEMBERS OF PENGURUSAN DANAHARTA NASIONAL BERHAD (CONTINUED)

(COMPANY NO. 464363 W)
(INCORPORATED IN MALAYSIA)

The names of the subsidiary companies which we have not acted as auditors are indicated in Note 15 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 subsidiary companies 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 subsidiary companies 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
Kuala Lumpur
1 April 2005

SHIRLEY GOH
(No. 1778/08/06 (J))
Partner of the firm

Review of Operations

ORGANISATION STRUCTURE AS AT 31 DECEMBER 2004

Board of Directors

General Manager
Internal Audit & Compliance

Managing Director

Special Assistants to Managing Director

General Manager
Operations

- Large Loans
- Loan Management
  - Special Administrators, Liquidators, Receivers & Managers
  - Credit Administration
- Legal Action
- East Malaysia / Small Loans
- Foreclosure
- Offshore Loans
- Schemes
- Corporate Services

Head
Property

- Marketing & Sales Administration
- Valuation & Asset Protection

General Manager
Finance & Services

- Finance
- Treasury
- Loan Administration
- Information Technology
- Administration
  - Security Unit

General Manager
Legal Affairs & Risk

- Legal Advisory
- Secretarial
- Risk Management

General Manager
Communications & Human Resource

- Communications
- Human Resource
- Research

REVIEW OF DIVISIONAL ACTIVITIES

Line and Support Divisions

Organisation Structure

Danaharta is specifically designed to be lean and with minimal hierarchy, befitting a project organisation. Like other project companies, Danaharta periodically re-organises itself to meet the changing requirements of its mission.

Following the sale of TTDI Development Sdn Bhd in November 2004 and the subsequent departure of the Property Division's Senior General Manager, the Property Division was re-organised. The Division's four units were amalgamated into two units – Marketing and Sales Administration Unit and Valuation and Asset Protection Unit.

There were no changes to the structure of the other divisions.

During the year, the company continued to focus its efforts on collecting the remaining loan recovery due and liquidating non-cash assets to generate cash for redemption of Danaharta bonds.

Line Divisions

The Operations Group and the Property Division are the Line Divisions within Danaharta.

The Operations Group, responsible for managing the NPL portfolio of Danaharta Group [comprising Pengurusan Danaharta Nasional Berhad ("PDNB"), Danaharta Managers Sdn Bhd ("DMSB") and Danaharta Urus Sdn Bhd ("DUSB")], represents the backbone of the company. The NPL portfolio managed consists of those that were acquired by Danaharta and NPLs from the now defunct Sime Bank and Bank Bumiputera Groups which are managed by wholly-owned subsidiaries of Danaharta, DMSB and DUSB respectively, on behalf of the Government of Malaysia.

A summary of the Operations Group and Property Division's functions is as follows:

Operations Group

To optimise and to avert the duplication of tasks, the Operations Group is divided into various specialised work groups. These work groups are categorised by the different specific job functions, such as liasing with Special Administrators, managing legal actions, carrying out section 57 foreclosures of property collateral, and the monitoring of scheduled repayments and collections.

During the period under review, the Operations Group continued to implement the recovery measures that have been formulated for each account e.g. the monitoring of restructured performing loans to ensure timely repayment and its collection efforts to maximise recovery.

The Operations Group played an instrumental role in the early redemption of the entire RM310 million principal amount of Asset Backed Securities (ABS) Senior Notes. The ABS Senior Notes were issued through Securita ABS One Berhad, a subsidiary of Danaharta. As part of its efforts to efficiently divest rehabilitated loans, Danaharta launched the first Malaysian Collateralised Loan Obligation ABS issue on 21 November 2001. The AAA-rated Senior Notes with a coupon rate of 3.875% were originally due on 20 December 2005. However, the notes were redeemed in stages from 19 June 2002 to 21 June 2004, thus completing the redemption of the Senior Notes together with interest amounting to RM18.4 million, eighteen months ahead of schedule.

The Group also held the fourth and final Restricted Tender Exercise of foreign loan assets comprising non-Ringgit loans and marketable securities extended to or issued by foreign companies.

Meanwhile, the Corporate Services Unit in the Operations Group continued to evaluate workout proposals submitted by corporate borrowers, formulate strategies to manage the disposal of marketable securities received as settlement of debt. In addition, the unit reviewed and updated the business plan for 2005 with emphasis on the closure plans of Danaharta.

It also continued to monitor the key performance indicators of Danaharta and report the results to both the Management team and the Board.

The Operations Group continued to pursue vigorously its recovery operations to ensure that the Company's key objective of fully redeeming the bonds is achieved.

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 sales via open tender, i.e. nationwide property tenders and specific tenders. Properties not cleared through the tenders are re-offered to the market via private contract sales.

Towards the end of the year, TTDI Development Sdn Bhd ("TTDI"), a wholly-owned property subsidiary of Danaharta, was sold through an open tender. The staff in the Property Division who were operating from TTDI's office were relocated to Danaharta's office and continue to undertake all property-related matters.

In the period under review, the Division conducted two nationwide tenders and three specific tenders involving 399 properties with a total indicative value of RM1.80 billion. Since its first property tender in November 1999, Danaharta has held ten nationwide tenders and thirteen specific tenders. Specific tenders are held to offer high-ticket properties or properties of the same type or within the same development or to assist with Danaharta's closure process.

Going forward, the Property Division will no longer hold nationwide tenders. It will however, continue to hold specific tenders (which involve less properties) and market unsold properties from previous tenders through private contract sales.

In the period under review, the Property Division continued to maintain its working relationship with the Federal and State Land Offices. The Division also held a workshop on Danaharta Act pertaining to land matters with the Federal Territory of Kuala Lumpur and Selangor Land Registry offices.

Support Divisions

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.

In the period under review, the Unit played its role efficiently in redeeming the ten tranches of Danaharta bonds with a total face value of RM7.743 billion which matured in 2004. This brings the total value of bonds redeemed by Danaharta to RM10.345 billion or an equivalent of 93% of the total face value of the bonds issued, i.e. RM11.14 billion. Only three more tranches of bonds with a total face value of RM0.795 billion are due for redemption on 31 March 2005.

Information Technology Unit

The Information Technology ("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 and security matters necessary to support the various Divisions of Danaharta.

Legal Affairs and Risk Division
The Legal Affairs and Risk 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.

The Unit continued to support the Operations Group in loan restructurings and workout proposals and, in particular, ensuring that the Pengurusan Danaharta Nasional Berhad Act 1998 (the “Danaharta Act”) and the National Land Code (Fifteenth Schedule) are implemented as intended. During the year, the Unit assisted the Operations Group in its Fourth Restricted Tender Exercise of foreign loan assets.

As well as providing legal support services, the Unit manages litigation matters involving Danaharta. This includes coordinating and supervising external lawyers appointed to handle litigation for Danaharta.

The Unit also continued to play an active role in supporting the Property Division on Danaharta’s property sales program. During the year, it assisted the Property Division in conducting a workshop on the Danaharta Act to the Federal Territory and Selangor land offices.

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.

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

Risk Management Unit
The Risk Management Unit provides risk advisory support services to the line divisions on all aspects of the group's operations. The core functions of the Unit are as follows:
- conducting independent review of loan management and asset management papers to ensure conformity and consistency in the application of Danaharta's policies and procedures throughout the Danaharta group as well as to highlight risk issues and recommend risk mitigation measures
- formulating effective and efficient procedures that encompass Danaharta's policies and objectives and best practices
- acting as custodian of Danaharta's policies and procedure manuals.

In the period under review, the Unit was tasked with the responsibility of spearheading the Closure and Handover Committee established to prepare the company for eventual closure. The objectives of the Committee are to assist the management in:
- addressing all potential issues relating to closure of business operations and hand-over issues after the closure; and
- facilitating the hand-over and management of the residual assets and liabilities to the Government after the closure.

With guidance provided by the Unit, the Closure and Handover Committee identified the tasks and issues involved and the actions to be taken, to ensure a smooth implementation of the project. This would involve mitigating all transitional risks related to any transfer of the company’s activities and documenting all relevant processes and methods in a manual to be given to the Government.

Communications and Human Resource Division

The Communications and Human Resource Division comprises the following Units:

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.

As at 31 December 2004, Danaharta's employees' strength remained steady at 230. Nearer to the date of its closure in 2005, Danaharta will be looking at reducing the number of staff in a timely and orderly manner.

Professional Staff Statistics as at 31 December 2004

Qualifications	**Percentage (%)**
Master's Degree / Professional Qualification	25
Bachelor's Degree	59
Diploma	12
SPM	4

Career Background	**Percentage (%)**
Local Banks	53
Foreign Banks	10
Multinationals / International firms	9
Local firms	24
Others	4

Working Experience	**Percentage (%)**
More than 3 years	100
More than 5 years	96
More than 10 years	75
More than 15 years	45

Age	**Percentage (%)**
More than 25 years	100
More than 30 years	92
More than 35 years	69
More than 40 years	40

Gender	**Percentage (%)**
Male	57
Female	43

Research Unit

During the year, the Research Unit continued to monitor macroeconomic and equity market developments, both locally and internationally, which have bearings on the restructuring and disposal efforts of the Danaharta Group. In addition, microanalyses were 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.

Communications Unit

This 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 as well as producing the Company's publications such as the half-yearly Operations Report and the Annual Report.

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 involved in the marketing and advertising efforts related to the national property tenders and specific property tenders as well as the sale of shares and the restricted tender exercise of foreign loans and shares.

Internal Audit and Compliance Division

The Internal Audit & Compliance ("IAC") Division successfully achieved its objectives and completed its business plans for the year 2004. It had performed its tasks effectively and efficiently as demonstrated below:

- Conducted a comprehensive risk assessment on Danaharta's operations and activities, and used the results to develop a risk-based internal audit plan. The plan was approved by the Audit Committee ("AC") on 28 October 2004.
- Completed a total of fifteen audits covering areas relating to realisation of cash flow to address timing mismatch for redemption of bonds and minimisation of contingent liabilities as well as planning for closure of business in end 2005. This fully realises the approved audit plan for 2004.
- Issued audit reports within the agreed stipulated time and completed promptly all actions agreed upon.
- Held four AC meetings in 2004 as scheduled. Minutes of the meetings were issued timely for circulation to the Board. The internal audit summary report was tabled promptly at all the AC meetings. The report format and content were revised to make it more user-friendly.
- Maintained regular contacts with the external auditors to discuss control-related issues in Danaharta when developing the audit plan and in reviewing the 2004 report on the financial statements.
- Reviewed both the AC's terms of reference and the internal audit charter. Revisions made were approved by the Board in October 2004.

IAC continued to monitor the company's compliance with Danaharta's Standards Business Conduct ("SBC") and adherence to the Guidelines on Handling of Breaches to the SBC, frauds, defalcations and other major misdemeanors should there be any breach, including:

- Processing the pre-clearance forms for buying & selling of stocks / shares;
- Administering the annual declaration of independence & financial disclosures.
- Coordinating management's representations and sign-off on the statement on internal control for his / her respective areas of responsibility

In addition to the above tasks, IAC also conducted Control Self-Assessment (CSA) workshops to assist TTDI Development Sdn Bhd in implementing CSA in their company in 2004 and acted as independent observers in the opening of tenders for sale of companies, businesses, properties and securities.

The General Manager of IAC facilitated the Management strategic review meeting held in August 2004 and acted as secretary and advisor to both the Ethics & Conduct Committee and the Environment, Safety and Health Committee.

KEY FACTS AND FIGURES AS AT 31 DECEMBER 2004

1. Background and Overview

Pengurusan Danaharta Nasional Berhad ("Danaharta") was established by the Malaysian Government in June 1998 to address the non-performing loans ("NPLs") problem plaguing the banking system during the Asian financial crisis. The NPL resolution agency, euphemistically known as the national asset management company ("AMC"), was established as a pre-emptive measure to avert a failure in the banking system.

Danaharta's objectives are:

- to remove NPLs from the banking system to allow banks to concentrate on their core business of lending to viable borrowers (completed in March 2001)
- to maximise recovery from its NPL portfolio (ongoing till 2005)

The Mission Status Report on the next page provides an overview and the key statistics on Danaharta's operations.

Danaharta started removing NPLs from the financial system in September 1998 and completed the task in March 2001. This was done via two modes:

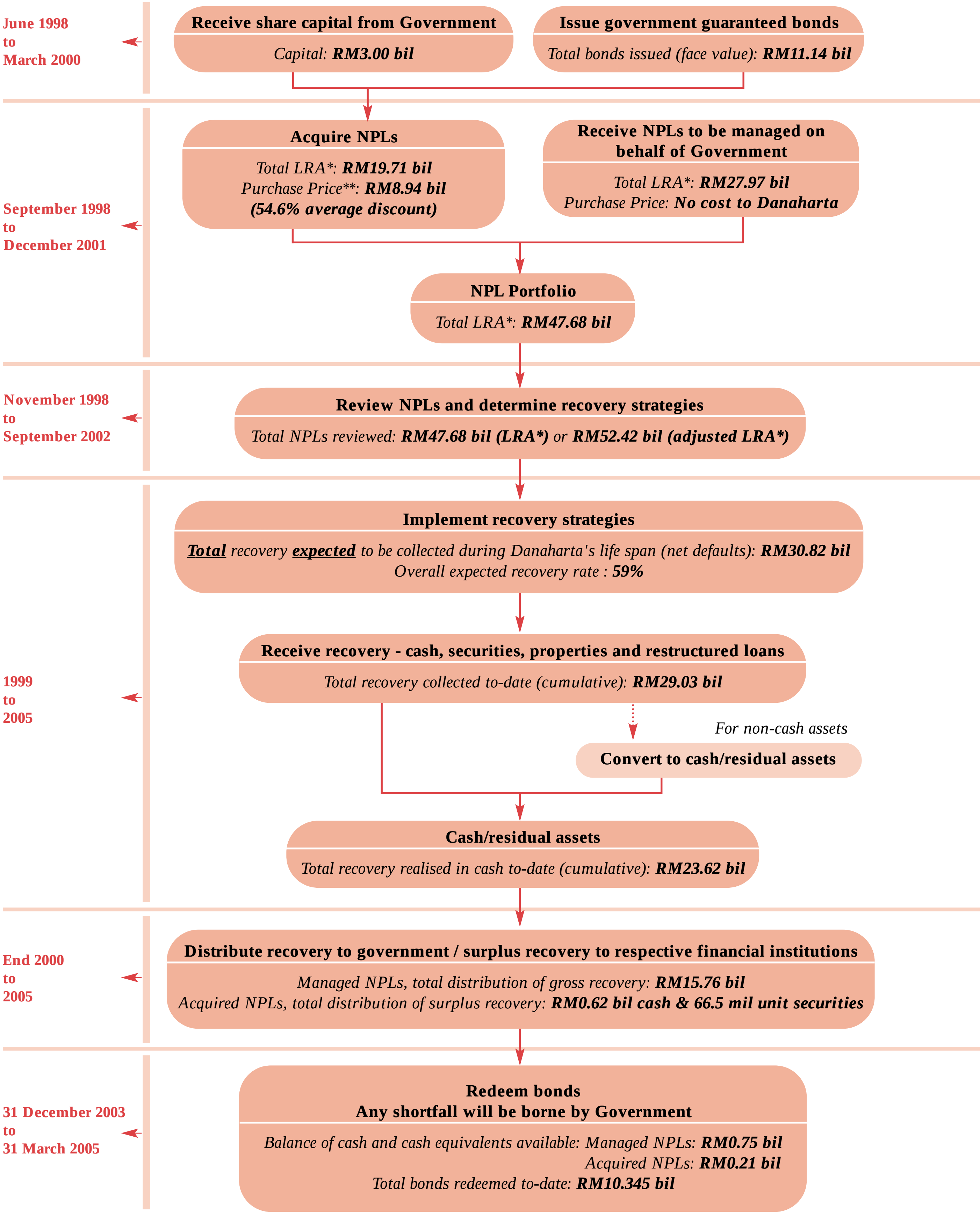
- *Acquired NPLs*
  Danaharta acquired NPLs from almost 70 financial institutions ("FIs") nationwide
  Total fair purchase price of NPLs: RM8.94 billion
  Payment: Via issuance of zero-coupon Danaharta bonds and cash
- *Managed NPLs*
  Danaharta was assigned the NPLs of the now defunct Sime Bank Berhad Group ("Sime Bank Group") and Bank Bumiputra Malaysia Berhad ("BBMB Group") to manage on the Government’s behalf.
  Total price paid by Danaharta: Nil

As at 31 December 2004, Danaharta has an NPL portfolio of RM52.42 billion (adjusted LRA*).

In dealing with the NPLs, Danaharta adopts the true AMC approach that is to actively manage each loan account to attain maximum recovery. Every NPL account is reviewed to determine the most appropriate recovery strategy. With the implementation of the recovery strategies, recoveries are then received in the form of cash and non-cash assets i.e. securities, properties and restructured loans. Ultimately, all non-cash recovery assets will be converted into cash, part of which would be distributed to the FIs that had sold NPLs to Danaharta (as required by the surplus sharing arrangements agreed upon during NPL acquisition) and to the Government (in respect of the Managed NPLs).

** LRA = Loan rights acquired, i.e. loan outstanding at the point of acquisition (principal & interest)*

Danaharta's Mission Status



** LRA = Loan rights acquired, i.e. loan amount outstanding at the point of acquisition (principal & interest)*
Adjusted LRA = LRA plus accrued interest at the point of restructuring
*** = Purchase price paid at the point of acquisition*

The balance of the cash is used, primarily, to redeem the RM11.14 billion bonds (face value) issued by Danaharta to the FIs for NPL acquisition.

To-date, Danaharta has reviewed and identified recovery strategies for all the NPLs in its portfolio. Over its life span, Danaharta expects to recover RM30.82 billion from the NPLs, which is equivalent to a recovery rate of 59%. By 31 December 2004, it had received recovery amounting to RM29.03 billion, of which 81% had been converted into cash. Danaharta had a total cash and cash equivalents of RM0.96 billion as at 31 December 2004. Danaharta had also redeemed RM10.345 billion of the RM11.14 billion bonds it issued.

As with most national AMCs in the world, Danaharta is a finite life agency and is targeting to wind down its operations by end 2005. Whilst the target deadline is drawing close, Danaharta's efforts have not relented and will continue to strive to achieve maximum recovery from its NPLs. Going forward, Danaharta will focus on collecting recovery, converting non-cash recovery assets into cash and redeeming the final tranches of bonds amounting to RM0.795 billion due to mature on 31 March 2005.

National AMCs are generally loss-making entities due to the non-performing nature of their assets. Being a national AMC, Danaharta is likely to record a loss at its close, which will be a cost to be borne by the Government. However, this cost is small compared to the greater losses Malaysia would have suffered economically and socially had the banking system in the country collapsed. Nonetheless, Danaharta strives to minimise its eventual cost through maximizing the NPL recovery value.

2. Establishment and Funding

As with all national AMCs in the world, Danaharta's establishment and operations are funded by the Government.

As at 31 December 2004, Danaharta's outstanding liabilities stood at RM1.195 billion, RM7.345 billion lower than the total as at 31 December 2003. This is due to further bond redemptions totaling RM7.745 billion during the year.

During the period under review, Danaharta also drew down RM0.40 billion from its revolving credit facility for the bond redemption on 31 December 2004. Danaharta has always been aware of a possible timing mismatch between its recovery collection and bond redemption. Hence, the credit facility has been available since August 2000 but it was only utilised recently. Nevertheless, the mismatch is expected to be temporary and Danaharta intends to repay the amount owed by end 2005.

Table 1: Danaharta's funding sources and outstanding liabilities as at 31 December 2004

Funding sources	**Purpose**	**Total amount allocated RM billion**	**Maximum amount utilised RM billion**	**Total as at 31 December 2004 RM billion**
Government contribution	Initial capital	3.00	3.00	3.000
Long-term loans Loans from Employee Provident Fund and Khazanah Nasional Berhad	Draw down available for working capital	2.00	1.30	Fully repaid
Short-term loans Revolving credit	To remedy a temporary timing mismatch between recovery and bond redemption	1.40	0.40	0.400
Zero-coupon bonds issued to selling FIs^	For loan acquisition	15.00	11.14	0.795*
TOTAL		21.40	15.84	4.195

**A total of RM10.345 billion bonds had been redeemed to-date.*
^ Reported in nominal value/face value of bonds.

3. NPL Portfolio

3.1 Status of NPL Portfolio

As at 31 December 2004, Danaharta’s NPL portfolio totaled RM47.68 billion (LRA), involving 2,902 accounts (relating to 2,563 borrowers). Danaharta's portfolio (in LRA) comprises:

- RM19.71 billion of Acquired NPLs
  Loans acquired from FIs with bonds and cash at RM8.94 billion* (average discount of 54.6% to LRA value).
- RM27.97 billion of Managed NPLs
  Loans from the now defunct BBMB Group and Sime Bank Group which Danaharta is managing on behalf of the Government of Malaysia

Table 2: Danaharta's NPL portfolio as at 31 December 2004

Type of NPL	Source of NPL	NPLs in LRA value RM billion
Acquired NPLs	NPLs acquired from FIs	19.71
Managed NPLs	NPLs which Danaharta is managing on behalf of the Government	27.97
TOTAL		47.68

3.2 Movement in NPL Portfolio

During the period under review, Danaharta's NPL portfolio decreased by RM0.02 billion as an Acquired NPL relating to one borrower was returned to the selling FI. In general, NPLs acquired by Danaharta can be returned to the selling FIs if Danaharta is unable to perfect its ownership of the NPL or the charge over the underlying collateral.

3.3 Key Features of the Two NPL Components

There are two components in Danaharta's NPL portfolio i.e. Acquired NPLs and Managed NPLs. Despite the difference in which these NPLs were obtained, they are managed with the same recovery approach. However, it is worth noting certain key features of the two components:

Comparison of key features between Acquired NPLs and Managed NPLs

Key features	Acquired NPLs	Managed NPLs
Where do they originate from?	NPLs bought on willing-buyer-willing-seller basis from financial institutions.	NPLs of now defunct Sime Bank Group and BBMB Group, assigned by the Government to manage on its behalf.
What is the purchase price?	RM8.94 billion* [average discount of 54.6% to RM19.71 billion LRA)].	No cost to Danaharta as NPLs belong to the Government.
What is the mode of payment?	Cash and bonds.	No payment made.
Surplus recovery arrangement	Danaharta has an agreement with selling FIs to distribute surplus recovery [80(FI):20(Danaharta)] if recovery exceeds purchase price plus holding costs of NPLs.	No surplus recovery agreement. Danaharta receives a fee for managing the loans.
How are they managed?	Both types of NPLs are managed using the same approach. The objective is to extract maximum recovery value from the NPLs.	

** Purchase price paid at the point of acquisition*

3.4 Contingent Liabilities

As at 31 December 2004 , the total contingent liabilities in Danaharta's portfolio stood at RM253.32 million, RM128.91 million lower than the total as at 31 December 2003. The decrease is mainly due to cancellation of contingent liabilities which had expired.

Table 3: Analysis of contingent liabilities in Danaharta's portfolio as at 31 December 2004

	Contingent liabilities RM million
Acquired NPLs	125.00
Managed NPLs	128.32
TOTAL	253.32

Some NPLs in Danaharta's portfolio have contingent liabilities attached. A contingent liability, such as a bank guarantee, will be an additional loan to be recovered by Danaharta when crystallised (materialized). An example of the crystallisation of a contingent liability is when a bank guarantee (a contingent liability in the books of the bank) issued by a bank to a third party (at the borrower's request) is called upon by the third party, thus converting the bank guarantee into a loan to be repaid by the borrower. Typically, the third party would only exercise his right to call upon the bank guarantee if the borrower fails to pay or honour its commitment.

4. Recovery

Danaharta has reviewed and identified appropriate recovery strategies for all the NPL accounts in its portfolio. As at 31 December 2004, the adjusted LRA value for the total portfolio is RM52.42 billion (Note: "Adjusted LRA" is equivalent to LRA plus interest accrued from the date of acquisition by Danaharta to the point of restructuring / reviewing).

Table 4: Analysis of expected recovery from various recovery methods as at 31 December 2004

Recovery method	***Adjusted LRA RM billion (a)**		**^Net expected recovery RM billion (b)**		**Expected recovery rate (%) (c)=(b)/(a)**	
	Acquired NPLs	**Managed NPLs**	**Acquired NPLs**	**Managed NPLs**	**Acquired NPLs**	**Managed NPLs**
Plain loan restructuring	1.40	4.05	1.28	3.91	91%	97%
Settlement	3.41	8.04	2.80	6.05	82%	75%
Schemes of arrangement	2.64	7.50	1.89	5.72	72%	76%
Schemes under Special Administrators	2.31	2.72	1.06	0.74	46%	27%
Foreclosure	9.77	4.37	2.77	2.15	28%	49%
Others	1.85	3.15	0.90	1.49	49%	47%
Legal action	0.23	0.98	0.02	0.04	9%	4%
TOTAL	21.61	30.81	10.72	20.10	50%	65%
OVERALL	52.42		30.82		59%	

**comprising total LRA of RM47.68 billion and accrued interest of RM4.74 billion.*
^assuming zero recovery for NPLs that have defaulted on their recovery strategies.

As at 31 December 2004, Danaharta expects to recover over its life-span, RM30.82 billion from its NPL portfolio or an average recovery rate of 59%. By value, the total expected recovery has increased marginally from RM30.63 billion as at 31 December 2003. This is mainly due to the revival of some accounts, which had previously defaulted on their recovery strategies.

Of the total expected recovery of RM30.82 billion, RM20.10 billion is expected from the Managed NPLs component and RM10.72 billion from the Acquired NPLs component. The average expected recovery rates are 65% and 50% respectively.

4.1 Recovery Methods/Strategies for the NPLs

Danaharta employs a number of recovery methods (as listed in Table 4) in managing its NPL portfolio. The recovery method used depends on the nature of the NPL accounts. A general guideline on how Danaharta determines the recovery method for each NPL is set out below:

- *Viable Loans*
  Borrowers with viable loans are given a chance to restructure and rehabilitate their loans according to Danaharta's loan restructuring principles and guidelines. This arrangement is beneficial to Danaharta as loan restructuring generally yields higher recovery rates vis-a-vis other recovery methods. Danaharta employs three methods for loan restructuring – *Plain Loan Restructuring, Settlement of Loans and Schemes of Arrangement.*
- *Non-viable loans*
  For loans that non-viable and in cases where borrowers fail to comply with the loan restructuring guidlelines to restructure its loans, the recovery normally involves the sale of a borrower's business or the underlying collateral. The methods adopted by Danaharta are - *Foreclosure (sale of collateral), Appointment of Special Administrators (disposal of business or assets) and Legal Action.*

5. Recovery Assets

In the course of its recovery operations, Danaharta receives recovery in the following forms:

- **Cash :** **Foreclosures** : generated from the sale of collateral i.e. shares and properties
  Non-foreclosures : generated from cash settlements, redemption of collateral, the sale of foreign loan assets, and asset disposal.
- **Restructured loans**, made up of restructured or rehabilitated NPLs i.e. a stream of repayments over a period of time.
- **Securities**, comprising all kinds of securities e.g., shares or loan stocks that have been issued to Danaharta as part of settlement for NPLs. (Note that this does not refer to share collateral)
- **Properties**, comprising properties which are under the beneficial ownership of Danaharta Hartanah, and set-off properties, i.e. properties that are offered and accepted as full or partial settlement for NPLs. (Note that this does not refer to property collateral that has not been foreclosed)

Table 5: Analysis of recovery proceeds by asset group as at 31 December 2004

Asset group (RM billion)		Expected recovery# (a)	Defaulted (b)	Expected recovery excluding default (c) =(a) - (b)	Pending implementation of recovery strategy (d)	Recovery received (e) =(c) - (d)
Cash	Non-foreclosures	12.32	0.05	12.27	0.18	12.09
	Foreclosures	5.17	-	5.17	0.15	5.02
Restructured loans		7.38	0.03	7.35	0.50	6.85
Securities		4.92	0.01	4.91	0.93	3.98
Properties		1.12	-	1.12	0.03	1.09
TOTAL		30.91	0.09	30.82	1.79	29.03

 # Expected recovery does not include interest or adjustments due to gains or losses arising from the recovery process

Table 6: Analysis of recovery proceeds by Acquired and Managed NPLs as at 31 December 2004

Type of loan (RM billion)	Expected recovery^	Pending implementation of recovery strategy	Recovery received
Acquired NPLs	10.72	0.54	10.18
Managed NPLs	20.10	1.25	18.85
TOTAL	30.82	1.79	29.03

^ Expected recovery excluding defaulted loans

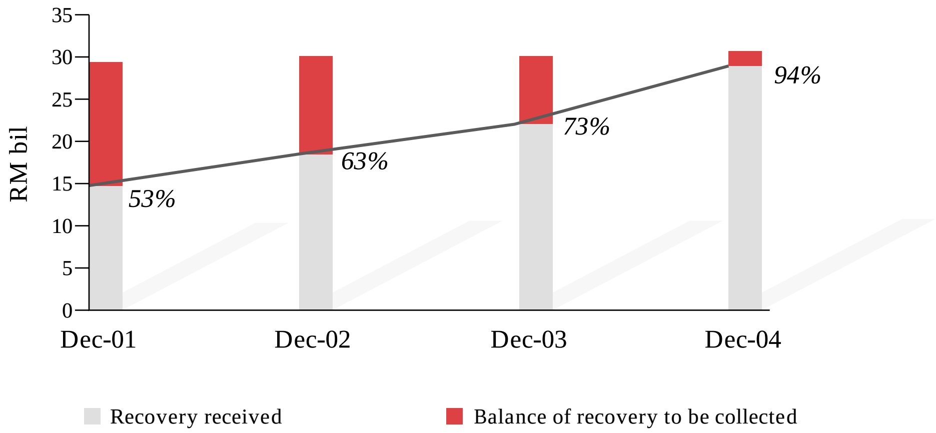
5.1 Recovery

As at 31 December 2004, Danaharta had received recovery amounting to RM29.03 billion, or an equivalent of 94% of the total expected recovery of RM30.82 billion. On an annual basis, the recovery received had increased by RM6.63 billion since 31 December 2003.

As illustrated in Diagram 1 below, Danaharta's recovery collection has been progressing steadily and is inching towards the expected recovery amount. Danaharta expects to recover the remaining 6% or RM1.79 billion before Danaharta's closure. In the final phase of its life, Danaharta will intensify its efforts on recovery collection to meet its target.

Diagram 1: Movement of recovery received at 12 month interval as at 31 December 2004

Progress of recovery collection at 12-month intervals



5.2 Default Rate

The default rate of Danaharta's portfolio declined from 3.2% as at 31 December 2003 to 0.3% as at 31 December 2004.

A default in Danaharta's context differs slightly from the conventional definition of default for banks which relates to performing loans turning non-performing. For Danaharta, a default refers to loans that have been restructured by Danaharta but subsequently defaulted on their recovery strategies. Essentially, all loans in Danaharta's portfolio are non-performing i.e. loans that have defaulted from a bank's perspective. Danaharta's default rate is provided to allow a clearer insight on the progress of the company's recovery efforts.

For Danaharta, when a loan defaults (on its recovery strategy), an alternative recovery strategy will be sought to "revive" the account. For example, an NPL account which has been restructured and has its tenure extended (i.e. plain loan restructuring), subsequently defaults. A new recovery strategy such as foreclosure is then adopted to recover from the loan.

In calculating our published statistics, Danaharta conservatively assumes that such defaulted loans will yield zero recovery value.

5.3 Fully Settled Borrowers

Overall, as at 31 December 2004, a total of 1,130 borrowers have fully settled RM19.22 billion (LRA value) NPLs relating to 1,287 accounts. The fully settled amount increased by RM4.64 billion from 31 December 2003.

A fully settled borrower is one who has fully settled all outstanding accounts with Danaharta. All expected payments have been made either in the form of cash and / or non-cash assets, and no further recovery is expected from the borrower.

6. Conversion of Non-cash Assets into Cash

Some of Danaharta's loan recoveries are received in the form of non-cash assets (i.e. restructured loans, properties and securities). Danaharta does not intend to retain these non-cash assets and where possible, will strive to convert them into cash.

The 3 non-cash asset groups are converted into cash via the following methods:

- Restructured loans : payment of loan installments and securitisation (see Reference Materials on pages 122 and 123 for details on asset- backed securitisation)
- Properties : sale of properties
- Securities : sale of securities

Of the RM29.03 billion recovery received as at 31 December 2004, RM23.62 billion has been realised in cash. The amount realised in cash has increased by RM4.58 billion since 31 December 2003.

Table 7: Analysis of cash received by asset group as at 31 December 2004

Asset group (RM billion)		**Recovery Received (e)**	**Stock (f)**	**Total realised in cash (g)= (e) - (f)**
Cash	Non-foreclosures	12.09	1.44	10.65
	Foreclosures	5.02	1.20	3.82
Restructured loans		6.85	0.90	5.95
Securities		3.98	1.33	2.65
Properties		1.09	0.54	0.55
TOTAL		29.03	5.41	23.62

Acquired NPLs: RM7.86 billion
Managed NPLs: RM15.76 billion

7. Distribution of Cash from Recovery Proceeds

Of the RM23.62 billion of cash generated, Danaharta had distributed on a gross cumulative basis, RM16.38 billion to the Government and 38 FIs as at 31 December 2004. The amount distributed consists of RM0.62 billion of surplus recovery for Acquired NPLs and RM15.77 billion of recovery for the BBMB Group and Sime Bank Group loans that are being managed by Danaharta. A total of 66,472,341 units of securities have also been distributed to the selling FIs as part of the surplus sharing agreement.

Surplus sharing for Acquired NPLs

Unlike most national AMCs, Danaharta does not have compulsory powers of acquisition i.e. it does not have the power to direct FIs to transfer NPLs to the agency. Instead, Danaharta relied on a market-based approach where NPLs were purchased on a willing-buyer-willing-seller basis. Danaharta purchased the Acquired NPLs at an average discount of 54.6%, resulting in shortfalls (difference between the loan outstanding (LRA) and the acquisition price) for many selling FIs. To encourage banks to sell their NPLs, Danaharta had agreed to share the surplus recovery with the selling FI should Danaharta recover more than the loan acquisition price in addition to holding costs incurred.

Typically, the surplus recovery 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 or a combination of cash and instruments.

Management fee for Managed NPLs

With regard to the NPLs from the BBMB Group and the Sime Bank Group managed by Danaharta, the recoveries are for the Government. However, Danaharta Urus and Danaharta Managers (both wholly-owned subsidiaries of Danaharta set up to manage the NPLs) receive management fees as follows:

- If net recovery value is less than or equals net book value, Danaharta Managers / Danaharta Urus receives 2% of the net recovery value; and
- if net recovery value exceeds net book value, Danaharta Managers / Danaharta Urus receives 2% of the net book value and 20% of the excess.

These management fees are deducted from the gross recoveries for Managed NPLs prior to distribution to the Government.

Details of the distribution are as follows:

Table 8: Distribution of recovery proceeds as at 31 December 2004

			Distribution of recovery	
A.	**Gross recovery for Managed NPLs**		**Cash (RM)**	**Securities (Unit)**
	NPLs of the BBMB Group and the Sime Bank Group		15,765,075,275.90	-
	Sub-total		**15,765,075,275.90**	**-**

B.	**Recipient of surplus recovery for acquired NPLs+**	**No. of accounts**	**Cash (RM)**	**Securities (Units)**
1.	Arab-Malaysian Bank Berhad	3	1,426,758.80	-
2.	Arab-Malaysian Finance Berhad	1	1,575,687.64	-
3.	Arab-Malaysian Merchant	2	21,509,246.83	-
4.	Aseambankers Malaysia Berhad	4	2,629,130.69	*3,968,319
5.	Amanah Merchant Bank Berhad	4	10,778,232.70	-
6.	Bumiputra Merchant Bankers Berhad	2	2,237,673.22	~3,167,637
7.	Bank Bumiputra Malaysia Berhad#	8	60,564,694.20	-
8.	Bank Industri Malaysia Berhad	1	480,082.15	-
9.	Bank Islam Berhad	4	22,402,953.34	~2,716,208
10.	Bank of Commerce (M) Berhad	2	49,389,810.26	-
11.	BSN Commercial Bank	2	1,619,427.78	-
12.	BSN Merchant Bank Berhad	2	787,084.39	-
13.	Bangkok Bank Berhad	2	1,383,839.52	-
14.	Hong Leong Bank Berhad	3	845,005.52	^1,994,397
15.	Hock Hua Bank Berhad	1	2,458,158.29	-
16.	HSBC (M) Berhad	1	142,915.26	*1,730,284
17.	Malaysian International Merchant Bankers Berhad	5	27,883,314.11	*7,950,567
18.	Mayban Finance Berhad	1	3,518,006.94	-
19.	Maybank Berhad	6	35,480,615.55	~1,146,487
20.	MBf Finance Berhad	5	40,962,910.02	-
21.	MBF Leasing Sdn Bhd	1	395,102.99	-
22.	Multi-Purpose Bank Berhad	1	276,102.19	-
23.	OCBC Bank (Malaysia) Berhad	1	148,898.61	-
24.	Oriental Bank Berhad	16	40,524,992.20	^2,642,648
25.	Overseas Union Bank (M) Berhad	1	853,809.60	-
26.	Perwira Affin Bank Berhad	1	38,000.00	^2,427,982
27.	Perdana Merchant Bankers Berhad	1	332,248.03	~1,076,710
28.	Perwira Affin Merchant Bank Berhad	2	613,434.45	-
29.	Public Finance Berhad	1	251,880.89	-
30.	RHB Bank Berhad	12	150,795,647.09	*@27,247,820
31.	RHB Sakura Merchant Bankers Berhad	8	48,905,843.66	*3,986,502
32.	Sabah Bank Berhad	4	5,487,293.76	~2,465,757
33.	Sabah Development Bank Berhad	2	5,138,329.56	-
34.	Sime Merchant Bankers Sdn Bhd	1	472,056.75	-
35.	Southern Bank Berhad	2	5,744,211.28	*3,951,023
36.	The Pacific Bank Berhad	8	56,636,668.95	-
37.	United Merchant Finance Berhad	2	1,707,900.90	-
38.	Utama Merchant Bank Berhad	1	4,338,390.48	-
	Sub-total	**124**	**610,736,385.60**	**66,472,341**
	TOTAL DISTRIBUTED		**16,375,811,661.50**	**66,472,341**

+ *In cases where banks have merged or have been acquired by another bank, payments are made to the new legal entity or the acquiring bank.*
# *Relating to loans acquired at discounted prices by Danaharta prior to the arrangement for Danaharta to manage the BBMB Group NPL portfolio. Payments are made to Danaharta Urus Sdn Bhd as the manager of BBMB NPLs*
* *Payment in ordinary Arab-Malaysian Corporation Berhad shares with a par value of RM1.00 each share*
^ *Payment in Ho Wah Genting Berhad RCULS*
@ *Payment in Taiping Consolidated Berhad irredeemable convertible preference shares (ICPS) with a par value of RM1.00 each share*
~ *Payment in Avenue Assets Berhad shares with a par value of RM1.00 each share and Avenue Assets Berhad warrants*

8. Cash Position and Bond Redemption

Cash position

Danaharta's total cash and cash equivalents declined from RM5.92 billion as at 31 December 2003 to RM0.96 billion as at 31 December 2004. Most of the cash was used to redeem ten tranches of Danaharta bonds valued at RM7.74 billion that matured in 2004.

During the period, Danaharta also drew down RM0.40 billion from its revolving credit facility to redeem the bonds that matured on 31 December 2004. The short-term loan was taken to address a temporary timing mismatch between the company's recovery collection and bond redemption. Having been aware of this possible cashflow mismatch, Danaharta has had the credit facility in place since August 2000, but had only utilised it recently. Nevertheless, this situation is expected to be temporary and Danaharta intends to repay the short-term loan by end 2005.

Of the RM0.96 billion of cash and cash equivalents available, RM0.75 billion belong to the Managed NPL component. These are recovery generated from the Managed NPLs, which will be distributed to the Government.

The balance of RM0.21 billion, on the other hand, belongs to the Acquired NPL component, which is available for, amongst others, bond redemption.

Table 9: Summary of cash statement as at 31 December 2004

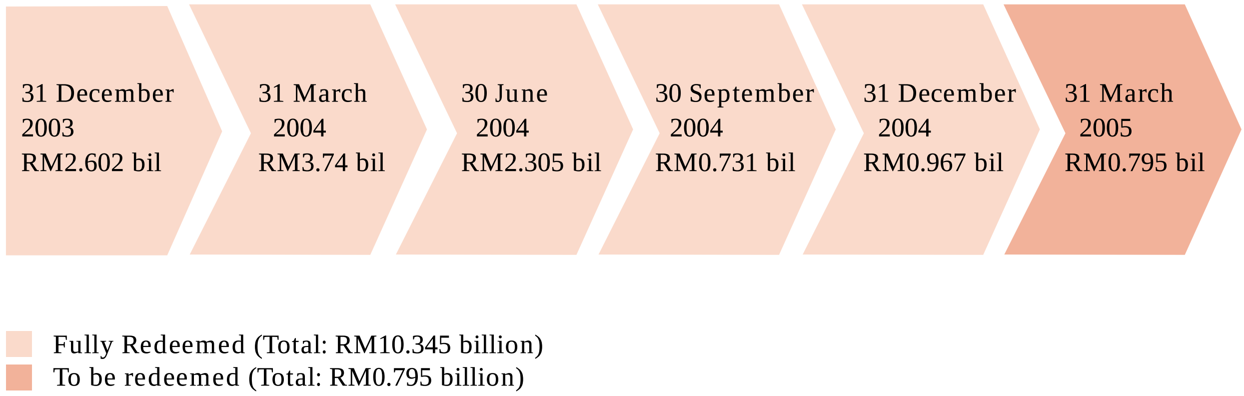
	RM billion
Total cash received from recovery proceeds	23.62
Add:	
Capital received	3.00
Loans	1.70
Other inflows - including, amongst others, interest received on deposits and placements	2.66
Total inflow	30.98
Less:	
Bond redemption	10.34
Total surplus recovery distributed to FIs under surplus sharing arrangement	0.60
Total cash distributed for recovery of loans from Sime Bank Group and the BBMB Group (net of management fees)	13.27
Other outflows - including, amongst others, cash paid for NPL acquisition, repayment of loans, operational costs	5.81
Total outflow	30.02
TOTAL CASH / CASH EQUIVALENT AVAILABLE AS AT 31 DECEMBER 2004	0.96

Acquired NPLs: RM0.21 billion
Managed NPLs: RM0.75 billion

Bond redemption

To-date, a total of RM10.345 billion Danaharta bonds has been redeemed. The final three tranches of bonds amounting to RM0.795 billion will mature on 31 March 2005. Should Danaharta fail to achieve a full redemption, it would draw down further on the revolving credit. Danaharta also has the option of rolling over the bonds for up to five years, but the zero-coupon bonds would be converted into interest-bearing bonds. As a final resort, the Government guarantee will be invoked to bear any shortfall of the bond redemption.

Diagram 2: Progress in Danaharta's bond redemption as at 31 December 2004



NOTABLE EVENTS IN THE FIRST QUARTER OF 2005

Redemption on Danaharta Bonds

On 31 March 2005, Danaharta redeemed the final three tranches of bonds with a total face value of RM0.795 billion. With the redemption, Danaharta has successfully redeemed all its bonds with a total face value of RM11.14 billion. The zero coupon bonds were issued by Danaharta in 1998 to acquire non-performing loans from financial institutions during the Asian financial crisis.

Property Tender

Danaharta held two specific tenders in the first quarter of 2005. The first specific tender was held from 10 January 2005 to 17 February 2005. The tender offered 82 properties with a total indicative value of RM209.69 million. The second specific tender which was held from 30 March 2005 to 4 May 2005 offered 41 properties with a total indicative value of RM76.40 million.

Case Studies and Feature Articles

CASE STUDIES

Gadang Holdings Berhad

Gadang Holdings Berhad (Gadang) is listed on the Second Board of Bursa Malaysia (the Malaysian Bourse). The company is primarily involved in earthworks, civil engineering, construction and property development.

On 1 October 1999, Gadang's loan was transferred to Danaharta. Six months later, in April 2000, Danaharta approved Gadang's proposal to restructure its debt into a 5-year term loan, repayable on semi-annual basis. The restructuring would also involve converting the loan, which was originally unsecured, into a secured loan. The security would be a piece of development land, to be acquired under a corporate and debt restructuring exercise. In addition, Gadang would repay the loan progressively from proceeds of its Rights Issue and its operational cash flow.

Unfortunately, this proposed restructuring did not materialise as it was not approved by the Securities Commission. This delayed the Rights Issue exercise. The debt restructuring was further affected when Gadang lost a major highway contract in May 2001, thus placing the company at risk of not being able to honour their commitments to Danaharta.

In February 2002, Danaharta gave Gadang an opportunity to present an amended restructuring proposal as the company was deemed to have a viable business. The amended restructuring proposal would have to be implemented to ensure that the loan (originally unsecured) would be converted into a secured loan.

Under the amended restructuring, Gadang would issue irredeemable convertible unsecured loan stocks (ICULS) and 5-year redeemable secure loan stocks (RSLS) to Danaharta as full and final settlement of their loan. The ICULS would be subject to a Put & Call Option where they would be fully redeemed by a strategic investor within 3 years (December 2006) from the date of issuance. Meanwhile, the RSLS, secured against a piece of development land, would mature in November 2008.

The amended debt restructuring scheme was approved by the Securities Commission in August 2003 and both the ICULS and RSLS were issued to Danaharta in December 2003.

The ICULS were fully redeemed in December 2004 by the strategic investor, two years ahead of schedule and Gadang is now working towards redeeming the RSLS.

With the successful restructuring of Gadang's loan, Danaharta's position improved from an unsecured to a secured position, thus maximising its recovery from the loan.

Wing Tiek Holdings Berhad

Wing Tiek Holdings Berhad (Wing Tiek) was listed on the Main Board of Kuala Lumpur Stock Exchange*, (KLSE) in 1990. Its principal activities were manufacturing and trading of steel hardware and other metal related products.

The trading of Wing Tiek's shares was suspended in March 1998 and the company was subsequently classified as a PN4 company by the KLSE in February 2001. Simply put, a PN4 company is a company with negative net worth.

By 31 December 2003, Wing Tiek's total group liabilities to financial institution creditors had risen further. In an effort to restructure its debt obligations, Wing Tiek secured a white knight, JAKS Group, to participate in the Group's corporate and debt restructuring scheme. In January 2003, the Securities Commission approved the Scheme of Arrangement for Wing Tiek and its subsidiaries. As a PN4 company, Wing Teik had twelve months to implement the Scheme.

Under the Scheme, JAKS Group would acquire Wing Tiek's listing status and several other assets including one of Wing Tiek's subsidiaries, which is synergistic to JAKS Group’s core business. The acquisitions would be payable by JAKS Group in a combination of convertible loan stocks and shares. The remaining of Wing Tiek's subsidiaries would be liquidated and the proceeds would be distributed to the respective creditors.

On 21 July 2003, Wing Tiek received the approval of approximately 98.6% of the Scheme Creditors for the Scheme, in a court convened creditors meeting. However, the Scheme could not be implemented as Wing Tiek failed to obtain the requisite level of approval from its shareholders in the Extraordinary General Meeting held in September 2003.

In the absence of a viable solution to the deadlock between the JAKS Group and the major shareholder of Wing Tiek, the only course of action would be to liquidate the Wing Tiek Group for the creditors to recover their debts. Liquidation would inevitably lead to Wing Tiek being de-listed, thus resulting in a lower recovery for Danaharta and other scheme creditors.

As liquidation was not the preferred option for Danaharta and the scheme creditors, Danaharta agreed to mediate a series of discussions between the main dissenting shareholder and JAKS Group. Both parties finally agreed to amicably resolve their differences.

The Scheme was finally approved by all the shareholders of Wing Tiek in another court-convened meeting held on 17 May 2004. It was successfully implemented on 1 July 2004 with the admission of JAKS Group through its new company, JAKS Resources Berhad, into Bursa Malaysia in place of Wing Tiek. JAKS Resources today is principally involved in the water sector, namely water supply construction projects, manufacturing and supply of mild steel pipes and manufacturing and trading of steel pipes and steel hollow products.

Thus, Danaharta and other scheme creditors benefitted from a higher recovery from their loans to Wing Tiek.

** The KLSE is now known as Bursa Malaysia*

Lion Group

The Lion Group of Companies (Lion Group) is listed on the Main Board of Bursa Malaysia. It is involved in eight core businesses – steel, motor, tyre, computer and communication, agricultural products, retailing, property and services. The Group also has business ventures in Singapore, Indonesia and China.

Lion Group's Restructuring Scheme was first initiated in the later part of 1999 under the auspices of the Corporate Debt Restructuring Committee. The Restructuring Scheme was inevitable as the financial performance of the Group had deteriorated as a result of the distressed economic environment in 1997 / 1998. The Group's operating cash flow then was insufficient to service their debt.

Danaharta and other creditors of the Group, worked closely with the Corporate Debt Restructuring Committee and the Lion Group in formulating the Restructuring Scheme. On Danaharta's part, it was crucial to ensure that the Lion Group's Restructuring Scheme complied with Danaharta's Loan Restructuring Principles and Guidelines.

On 5 July 2000, Lion Group announced their Restructuring Scheme consisting of various proposed debt restructuring exercises, divestment programmes and corporate restructuring exercises to address the financial issues faced by the Group. Several revisions were made to the Restructuring Scheme before approval was obtained from Securities Commission in July 2002. In September 2002, the lenders and trade creditors approved the Lion Group's Restructuring Scheme under a Section 176 court convened meeting. The Group's Restructuring Scheme was finally implemented in March 2003.

Under the Restructuring Scheme, Lion Group's debts with Danaharta were converted into USD and RM denominated bonds. Details of the bonds, comprising secured ('A' Bonds) and unsecured bonds ('B' & 'C' Bonds), are as follows:

Bonds	*Tenure*
A	5 years (with yearly redemption until 2006)
B	9 years (with yearly redemption until 2010)
C	10 years (Redemption in the last two years i.e.2010 & 2011)

As at 31 December 2004, approximately 85% of the USD denominated bonds issued to Danaharta had been disposed in the secondary market via a restricted tender exercise.

As for the RM denominated Lion Group bonds, disposal in the open market is not possible at this stage as the bonds have not been rated. Nevertheless, redemption of the bonds is on schedule. By the end of the first quarter of 2005, Lion Group would have redeemed almost 93% of the RM denominated Lion 'A' Bonds from Danaharta.

FEATURE ARTICLES

Resolution of Foreign Loan Assets

Origin of Foreign Loan Assets

Danaharta's NPL portfolio also consists of Non-Ringgit loans. The Non-Ringgit loans can be segmented into two categories:

- Non-Ringgit Malaysian Loan Assets – These are Non-Ringgit loans and marketable securities relating to Malaysian companies, including subsidiaries of Malaysian companies operating overseas; and
- Foreign Loan Assets – These are Non-Ringgit loans and marketable securities relating to foreign companies.

These loans were taken over primarily from three financial institutions, i.e. from the overseas branches of the now defunct Sime Bank Berhad and Bank Bumiputra Berhad and Sime International Bank (L) Ltd (Sime Labuan), an offshore bank. With regard to Sime Labuan, Danaharta had taken over the entire loan portfolio of the offshore bank instead of taking over the loans on a piece-meal basis as in the case of Sime Bank and Bank Bumiputra. This was in view of the sheer scale and complexity of the Sime Labuan loan portfolio. In addition, by taking over all of Sime Labuan's loans, recovery management work could be better coordinated and more effective. As a result, Danaharta's portfolio of Non-Ringgit loans consists of not only non-performing loans, but also performing and distressed loans (i.e. from Sime Labuan).

As at 31 December 2004, the total adjusted loan rights acquired (i.e. loan rights value at the point of transfer to Danaharta plus interest accrued from the date of the transfer) of foreign loan assets in Danaharta's portfolio was RM4.89 billion (USD1.29 billion).

Approach to Managing the Foreign Loan Assets

In managing the Non-Ringgit loans, Danaharta could rely on its special powers to manage and recover the Non-Ringgit Malaysian loan assets as these loans related to Malaysian companies. Danaharta could employ the same recovery strategies applied to all its NPLs. However, a separate approach was required for the Foreign Loan Assets. These loans were outside Malaysian jurisdiction, thus rendering Danaharta's special powers to manage and recover ineffective. As such, Danaharta had no comparative advantage in recovering Foreign Loan Assets.

Managing the Foreign Loan Assets

Danaharta employs different recovery methods, which include amongst others, schemes, liquidations and legal action to recover these exposures. However, the three main recovery methods employed by Danaharta for the Foreign Loan Assets are Restructuring, Restricted Tender Exercises and Bilateral Sales.

Restructuring

Restructuring generally includes rescheduling of loans, i.e., the extension of a loan tenure to facilitate the borrower's payment over time. Danaharta has always encouraged all its borrowers to restructure their loans as this method would invariably give a higher recovery rate. However, it is Danaharta's policy to ensure that all restructuring are in line with Danaharta's Loan Restructuring Principles and Guidelines.

Under this method, Danaharta would continue to own such restructured loans.

Restricted Tender Exercise (RTE)

RTE primarily comprises action to dispose of foreign loan assets for cash, and to swap the foreign loan assets with Ringgit Malaysia loan assets and / or non-Ringgit Malaysia loan assets. The advantages of the RTE are as follows:

- dispose assets whose values are difficult to enhance; and
- minimise the forced sale pricing of foreign loan assets through the acquisition (swapping) of corresponding non-Ringgit Malaysian loan assets at distressed values. Swapping into non-Ringgit Malaysian loan assets enhances the control over the management and recovery through the leveraging of Danaharta's special powers and the reduction in the number of accounts.

The RTE method is also operationally more efficient and is consistent with Danaharta's objective of maximising the recovery value of the loans.

Bidders who participated in the RTEs were divided into pre-selected Principal Bidders and invited Marketable Account Bidders. Principal Bidders were allowed to bid for both loan and marketable securities while Marketable Account Bidders could bid only for marketable securities.

Danaharta had sought to enhance the transparency of the tender process by ensuring that all available documentation in relation to the loan accounts and marketable securities were provided to the Principal Bidders. In addition, Danaharta appointed an external accounting firm to review the process whose audit report was disclosed to the public at end of each exercise.

Principal Bidders were invited to Danaharta to review the documentation and credit files for all loans put up for the RTE process for a period of one month. Upon completion of this due diligence exercise, the Principal Bidders were required to submit their respective bids for each of the accounts. The Marketable Account Bidders on the other hand, were only provided with the account details and did not have access to the credit files and documentation. The key difference here was that the Principal Bidders were required to bid for all accounts whilst the Marketable Account Bidders were only required to bid on marketable securities and were not compelled to submit any bid at all.

In total, Danaharta held four RTEs involving 110 accounts with a total principal value of RM2.82 billion (USD 743.32 million). Results of the RTEs are as as follows:

Exercise	*No. of Accounts Sold*	*Principal Value*	*Consideration*	*% of Recovery*
RTE 1 (July 1999)	11	USD85.15 mil	USD42.69 mil	50.1%
RTE 2 (December 1999)	25	USD244.80 mil	USD173.23 mil	70.8%
RTE 3 (August 2000)	28	USD102.13 mil	USD66.31 mil	65.0%
RTE 4 (September 2004)	21	USD199.76 mil	USD21.37 mil	10.7%
TOTAL	85	USD631.84 mil	USD303.60 mil	48.1%

A total of 25 accounts amounting to USD111.48 million were retained by Danaharta to be managed. Nevertheless, all these accounts have since been resolved through restructuring or bilateral sales.

The RTE process was conducted successfully as evidenced by the clean audit reports obtained from external auditors for each RTE which stated that all the RTEs were executed in a proper and transparent manner.

Bilateral Sales

Bilateral sales are sales which are directly negotiated between Danaharta and third parties. The sales stem from interest by investment houses to buy loans within Danaharta's portfolio.

Progress To-date

As at 31 December 2004, Danaharta had reviewed and identified the recovery strategies for all the foreign loan assets in its portfolio. Danaharta expects to recover about RM3.24 billion (USD852.6 million) from this portfolio, giving an expected recovery rate of 66%.

Why is Danaharta a Finite Life Agency?

Background

When Danaharta was set up in June 1998, it was conceived as a finite life agency. Danaharta has a specific mission, that is to resolve the non-performing loan (NPL) problem plaguing the country during the Asian financial crisis in early 1998 and to maximise recovery value of the assets. Once it fulfills its mission, it would cease to operate.

Most AMCs tend to have a life span ranging from five to twelve years. Typically, the life span of an AMC would depend on the complexity and speed of disposition or resolution of assets. For example, Resolution Trust Corporation in the United States, set up in 1989, was relatively successful in disposing its acquired assets rapidly. This American AMC ceased operations in 1996 after seven years in existence. Similarly, Securum of Sweden, set up in 1992, disposed its assets and closed in 1997, after five years of operations. Among the Asian asset management companies, the Indonesian Banking Restructuring Agency (IBRA) wound down its operations in February 2004 whilst Thailand Asset Management Company (TAMC) is expected to close down in 2011.

In Malaysia's case, Danaharta will cease to operate on 31 December 2005, after having been in operations for seven and a half years. This is two and a half years shorter than its estimated project life of ten years. Danaharta's early closure is due to a combination of factors, including, better than expected economic recovery, co-operation from many of its borrowers and the hard work of its staff.

The Chart below provides an overview of the stages of Danaharta's operations from the start to the end. As illustrated, Danaharta's unique lifecycle is divided into three main phases – establishment, acquisition (of NPLs) and resolution (management of NPLs and exit options).

Danaharta's progress through phases

Establishment	Acquisition	Management	Exit Options
√ **Objectives** √ **Organisation** √ **Funding** √ **Legislation** √ **Disclosure Programmes** √ **Professional Advisers**	√ **Targets** √ **Guidelines** √ **Methodology** √ **Valuation**	√ **Soft Approach** – *plain loan restructuring* – *settlement* – *schemes of arrangement* √ **Hard Approach** – *appointment of Special Administrators* – *foreclosure of collateral*	√ **Exit Strategies** √ **Loans Disposal** √ **Asset Disposal**

June '98 .... Sept '98 .... June '99 .... 31 Dec '05

By 31 December 2005, Danaharta would have already completed its mission of acquiring loans from financial institutions and maximising the recovery value of the assets. It has already dealt with all the NPLs in its portfolio and would have already received all the recovery assets from the resolution of these NPLs by then. The recovery assets received by Danaharta are in four forms – cash and non-cash recovery assets comprising, restructured loans, properties and securities. Whilst Danaharta strives to convert all the non-cash recovery assets into cash by then, Danaharta is fully aware that there will be some residual assets.

Residual assets are non-cash recovery assets that Danaharta received from the resolution of the NPLs. They are not NPLs that have not been dealt with by Danaharta. As these residual assets will still be in non-cash form, all that needs to be done is to convert them into cash.

These residual assets will comprise restructured loans, properties, securities and legal suits. Restructured loans are loans where the repayment period extends beyond 2005 after Danaharta's closure. There are still streams of payment to be received from these restructured loans. As for properties and securities, these assets may still be unsold by the time Danaharta closes down and need to be sold eventually. Then there are legal suits against borrowers and their guarantors where the outcome are pending the courts' decisions. Any decision in favour of Danaharta would result in a recovery for Danaharta.

Why does Danaharta have to close down its Operations?

Some have questioned the rationale for Danaharta's impending closure of operations as they believe that Danaharta should operate indefinitely since it has been effective in managing the country's NPL problem. This betrays a lack of understanding of Danaharta's mission and situation.

Set out below are the major reasons below why Danaharta must close down its operations once it has fulfilled its mission:

1) To minimise and limit the losses to taxpayers

The establishment of a centralised or national AMC requires substantial funding from the Government, which explains why some countries are reluctant to establish one. National AMCs are owned and funded by the Government using taxpayers' money. They are set up as a cost-mitigation measure which invariably means that AMCs are loss-making entities. This means that the cost of financial restructuring will be borne by the Government, i.e. the taxpayers. Therefore, the longer an AMC remains in operation, the higher the cost will be to taxpayers.

The general view that an AMC must have a finite life is supported by a study published by the Financial Stability Institute of the Bank for International Settlements (BIS) entitled "Public Asset Management Companies in East Asia: A Comparative Study", dated February 2004 (Ben Fung, Guonan Ma, Stefan Hohl and Jason George). In the study, it was stated that one of the many factors contributing to the successful operation of an AMC is to have a well-defined life for the AMC.

The BIS is of the view that the tenure of an AMC should be limited to prevent it from sitting on assets it has acquired for too long for fear of realising large losses. However, the tenure should also be realistic relative to the task at hand to give the AMC sufficient time to deal with the assets under its control.

In summary, if Danaharta were allowed to acquire NPLs indefinitely, this would amplify the total costs to be borne by the taxpayers.

There are also suggestions that Danaharta should remain open until they have converted all the residual assets (estimated to be in the region of RM2 billion to RM3 billion) into cash. However, this is not practical as it would not make economical sense for Danaharta, in its present shape and form, to continue its operations to manage the relatively small portfolio of residual assets which could take time to convert into cash (especially for legal cases). Since Danaharta is wholly-owned by the Government, these residual assets will belong to them when Danaharta ceases its operations. Thus, the conversion of the residual assets into cash would be regarded as a separate mission to be tackled by the Government.

Nevertheless, Danaharta is likely to record a loss at its close, which will be a cost to be borne by the Government. However, this would be a small price to pay as compared to the greater losses Malaysia would have suffered economically had the banking system in the country collapsed.

2) *To mitigate the risks of moral hazard*

An AMC that is permanently around to clean up the NPL problem in a banking system, may in itself create a moral hazard. Simply put, a moral hazard is a situation where something which was created to solve a problem ends up encouraging the problem instead.

For instance, some banks may feel compelled to relax their credit and risk evaluation of loans as they believe that the AMC would be the safety net where they can sell or transfer the loans should the loans default. As such, the presence of an AMC could pose a possible moral hazard to banks.

Therefore, an AMC is generally established with a finite life to encourage timely recovery actions and to avoid moral hazards.

3) *Sign of success*

"Winding down Danaharta is a measure of success,"
said Danaharta's Managing Director Dato Zukri in his press interviews.

In the study published by the BIS mentioned earlier, it was also stated that another benefit of a clear sunset date is that it allows the public an indication by which to measure the AMC's progress.

The BIS study also pointed out that the lack of a specific sunset date may have contributed to the relatively slow progress of Japan's Resolution and Collection Corporation (RCC) towards resolving the NPLs.

Therefore, if Danaharta does not close its operations by end of 2005 when it has already completed its task, this could send a negative signal to the local and international market. The market may perceive that the Malaysian banking system has not recovered from the crisis, which is not the case at all!

4) *Malaysia's financial sector is in a better shape than before*

When the Asian financial crisis started in 1998, the Malaysian Government identified short-term, medium-term and long term measures to strengthen the financial sector. The urgency then was the need to ensure stability in the banking sector. The Government set up three agencies to meet this objective.

The three agencies were Danaharta, Danamodal (to recapitalise the banking institutions) and the Corporate Debt Restructuring Committee (to serve as a platform for debtors and creditors to work out feasible debt restructuring schemes). These three agencies have successfully addressed the NPL problems, enhanced the capital base of the banking system and encouraged corporate restructuring.

The Corporate Debt Restructuring Committee and Danamodal have since completed their mission and closed down. Only Danaharta remains in operation but the agency is also on track to close down on its targeted date. Most experts agree that the steps taken by the Government to tackle the Asian crisis contributed a great deal to putting the nation's financial sector in better shape.

Meanwhile, the Government also implemented strategies to strengthen the banking sector. The restructuring efforts and structural reforms undertaken by the banking sector since the financial crisis have strengthened the resilience and improved the efficiency of the banking institutions. Amongst the restructuring efforts was a merger and consolidation programme for domestic banking institutions initiated in 1999 and concluded in 2000. The merger and consolidation programme succeeded in consolidating the fragmented domestic banking sector.

Since it was important that the development of the financial sector is aligned with the envisaged direction for the development of the economy, Bank Negara Malaysia (the Central Bank) formulated the Financial Sector Masterplan (FSMP) in 2001. The FMSP outlines the broad strategies for the development of the Malaysian financial sector over the next ten years. The FMSP has three key objectives to be implemented in three phases.

One of the key objectives of the FMSP is to promote financial stability. In 2003, the Central Bank announced that it was finalising the features of a proposed deposit insurance system for Malaysia. A deposit insurance system is defined simply as a system set up to protect depositors during a bank failure. The improved strength, competitiveness and resilience of the banking system support a positive environment for the effective implementation of a deposit insurance system that will contribute to the stability of the financial system.

The proposed establishment of a deposit insurance system will negate the need for Danaharta to remain in operations as the system would further strengthen incentives for financial institutions to adopt sound financial and business practices. It will also enhance public confidence in the financial system by providing explicit protection of deposits.

Conclusion

To conclude, the closure of Danaharta makes economical and practical sense, especially when the banking sector has recovered from the Asian financial crisis and is in a strong position to support the Malaysian economy to achieve sustained growth.

Reference Materials

COMMON MISCONCEPTIONS ABOUT DANAHARTA

Profitability

Danaharta is going to be profitable at its closure.

As with all national asset management companies (AMCs), Danaharta's objective is not to generate profit. It was established to avert a banking crisis, which would have wreaked havoc in the country had it not been avoided. Given the non-performing nature of its assets, Danaharta is likely to be loss-making.

There is always a cost to save a banking system from collapsing. Nonetheless, Danaharta strives hard to minimise this cost through maximisation of its recovery value.

Danaharta's loans were purchased at 54.6% discount i.e. cost of 45.4 sen for every Ringgit Malaysia (RM), and the current overall expected recovery rate is 59% i.e. 59 sen for every RM. Therefore, Danaharta expects to make a profit of about 14 sen per RM.

In the past, industry observers have compared Danaharta's average expected recovery rate (approximately 59% or 59 sen for every RM NPL) against the notional cost of the Acquired NPLs component (approximately 45.4 sen for every RM NPL), concluding that the positive margin reflects Danaharta's profitability. Unfortunately, this analysis is flawed. (see Chart 1)

To begin with, the expected recovery rate of 59 sen is in relation to both Managed and Acquired NPLs components whilst the 45.4 sen relates only to the Acquired NPLs component.

The rule would be to compare like with like, i.e. comparing the average recovery rate for the Acquired NPLs component which is about 50 sen for every RM with the notional cost of 45.4 sen. (see Chart 2)

Such comparison still implies a slight positive margin but the holding cost (which amounts to approximately RM2.6 billion cumulatively) will erode the margin. In addition, 80% of surpluses recovered from Acquired NPLs are given back to the relevant FIs whilst any loss suffered is borne solely by Danaharta. In other words, Danaharta cannot rely on the surplus from one profitable account to offset the losses in another.

With regard to the Managed NPLs component, there is no profit to be made as the cost to the Government was the book value of the loans. Danaharta’s role is merely to extract the best recovery for such loans.

In conclusion, it is still very likely that Danaharta will end up with a slight loss.

Chart 1

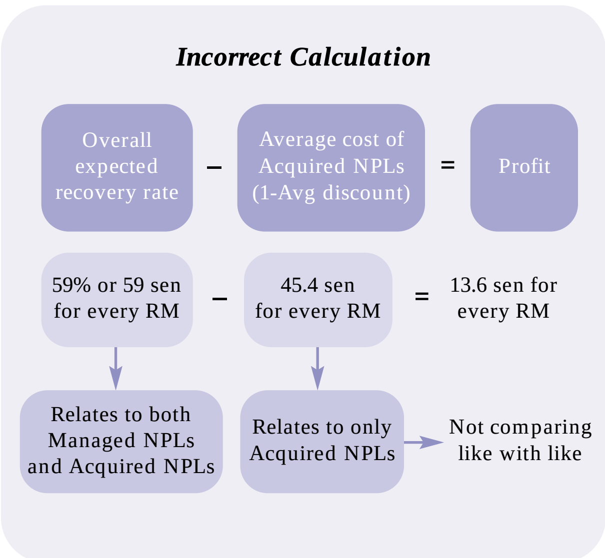
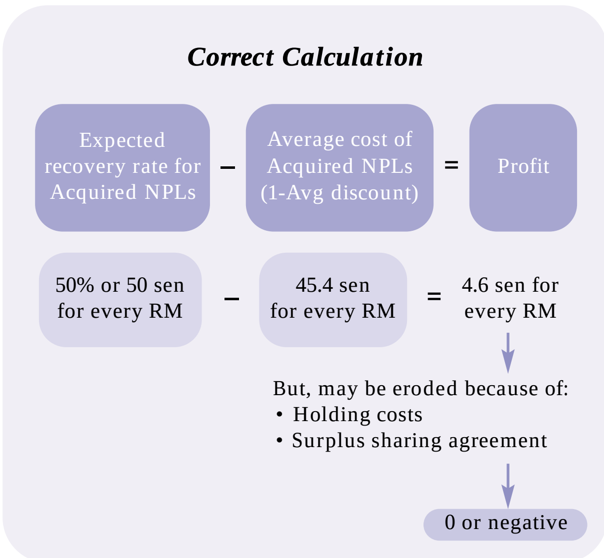


Chart 2



Recovery

In the past, Danaharta had reported a much higher recovery rate than its current 59%. It is disturbing that the recovery rates keep changing.

Danaharta had earlier reported a higher recovery rate because it dealt with the better and easier NPLs first. As such, the recovery rate then reflected only the portion of NPLs Danaharta had dealt with and not the total portfolio.

The recovery rate of 59% now is more reflective of the full portfolio and range of NPL situations as Danaharta has dealt with all the NPLs in its portfolio. Nevertheless, this recovery rate is considered good compared to the experiences of other AMCs in the region where their recovery rate ranges from 25% to 50%.

It should be noted that the expected recovery rate reported is not fixed and may continue to fluctuate so long as the loan accounts are not fully settled and recoveries are still pending. This is because some of the loans, even after being restructured, may default again and this will affect the overall expected recovery.

When a loan defaults, a zero recovery value is assigned to the account, causing the expected recovery rates to decline. However, when it is subsequently revived, the expected recovery rates will be adjusted upward accordingly. This movement contributes to the fluctuation in the recovery rates.

However, as Danaharta moves forward and actual collection takes place, the uncertainty of defaults will reduce and the fluctuation will also taper off. Danaharta will be able to report the actual recovery rate at its closure.

Property

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.

Danaharta has the power to foreclose on loan collateral as it wishes.

Similar to any financial institution, Danaharta will only foreclose on the collateral if the borrower fails to repay his loan. 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.

In the event that an interested party approaches Danaharta to propose the purchase of the collateral belonging to a borrower who has not defaulted, Danaharta will have to seek consent from the borrower before disposing the assets. In other words, Danaharta can only act with the borrower's consent.

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

Danaharta Act

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 AMC like Danaharta. They reflect the special mission entrusted to Danaharta. These special powers enable Danaharta to work effectively and speedily to fulfill its mission. Many international analysts who have conducted studies of Danaharta and other national AMCs in the region have concluded that effective legislative powers are the main contributing factor towards Danaharta's good recovery rates.

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.

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 reviews by Independent Advisors 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.

MANAGEMENT AND RESOLUTION OF NPLs

Introduction

When Danaharta acquires an NPL, Danaharta will first assess the viability of the loan. If the loan is viable, Danaharta will employ the 'soft approach', namely plain loan restructuring, settlement of loans and scheme of arrangement.

However, if the loan is deemed non-viable, then Danaharta will resort to the 'hard approach' which are the appointment of Special Administrators (for corporate borrowers), foreclosure of collateral and legal action.

All borrowers are given one chance to restructure their loans but the restructuring must comply with 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.

Soft Approach

The three main methods deemed as the soft approach are :-

- Plain loan restructuring – generally includes rescheduling of loans i.e. the extension of a loan tenure to facilitate the borrower's repayment over time.
- Settlement – these are cases where borrowers opt for a one-time settlement for the loans via cash, set-off assets or a combination of both.
- Schemes of Arrangement (SOA) – SOA are voluntary schemes formulated by both borrowers and creditors, aiming to restructure the loans. These schemes also include voluntary schemes that come under Section 176 of the Companies Act 1965, and the Corporate Debt Restructuring Committee ('CDRC').

Hard Approach

The methods under 'Hard Approach' are :-

Appointment of Special Administrators

The Pengurusan Danaharta Nasional Act 1998 confers on Danaharta the ability to manage corporate borrowers via the appointment of Special Administrators with the approval of the Oversight Committee. 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 (secured and 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 Special Administrators have been released from their appointments, are given on pages 124 to 141.

Foreclosure of Collateral

Property

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, and a valuer.

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 will continue to be offered for sale 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.

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.

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. 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 via open tender, i.e., primary sales.

Previously, Danaharta Hartanah Sdn Bhd (Danaharta Hartanah), a wholly-owned subsidiary of Danaharta, had acted as the buyer of last resort for the properties which were unsold in the primary sales. This policy has now been stopped. Starting from the Seventh Tender held in October 2002, unsold properties will no longer be automatically transferred to Danaharta Hartanah. This is because Danaharta deems that the property market is now better positioned to absorb these properties. Concurrently, Danaharta is drawing closer to its closure in year 2005 and intends to avoid warehousing unsold properties. Nevertheless, these unsold properties will continue to be marketed via private treaty after each tender and may also be re-offered in future property tenders.

Securities

Danaharta's policy for the sale of securities is that the controlling blocks be sold through a tender exercise while non-controlling blocks through the market.

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 Malaysia Securities Exchange Berhad (MSEB) where the securities are listed and normally traded through the MSEB; 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 MSEB).
- 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.

SUMMARY OF SALIENT TERMS OF THE DANAHARTA ACT

Objectives of the Act

The Pengurusan Danaharta Nasional Berhad Act 1998 (Danaharta Act) was passed to provide for special laws in the public interest for the acquisition, management, financing and disposition of assets and liabilities by Pengurusan Danaharta Nasional Berhad (Danaharta). In 2000, Parliament passed the Pengurusan Danaharta Nasional Berhad (Amendment) Act 2000 to clarify existing provisions of the Act in order to remove any doubts about their intended effect and to overcome practical difficulties which arose after Danaharta began operations.

The Danaharta Act supports Danaharta in accomplishing its mission of removing non-performing loan (NPL) distractions from the banking sector and maximising the recovery value of the NPLs.

There are three special powers conferred on Danaharta by the Danaharta Act. First, the ability to acquire NPLs through statutory vesting. Second, the ability to appoint Special Administrators (SAs) to manage the affairs of distressed companies. And third, the ability to foreclose on NPLs by way of open tender outside of court auction process. These special powers are among the salient terms of the Danaharta Act which are summarised below.

1. Statutory Vesting

Acquisition by Vesting

The Danaharta Act introduced a statutory vesting process to allow Danaharta to acquire NPLs in a speedy and efficient manner.

This process involves the issue of a vesting certificate to prove Danaharta's acquisition of an NPL. On and from the vesting date Danaharta acquires all of the selling bank's rights, title and interests in the NPL subject only to registered interests and claims disclosed to Danaharta before the vesting date.

The statutory vesting process has enabled Danaharta to complete its acquisition of NPLs well ahead of schedule.

Disposition by Danaharta

A person acquiring an asset from Danaharta is also able to enjoy the benefits of vesting conferred upon Danaharta. A transfer certificate is issued to effect the sale of the assets.

2. Special Administration

Appointment of Special Administrators (SAs)

The criteria for the appointment of SAs are set out in section 25 of the Danaharta Act. If the criteria are satisfied, Danaharta may recommend the appointment of SAs over a company (known as an "affected person"). In addition to the borrower company itself, Danaharta may also appoint SAs over the following class of persons:

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

Oversight Committee

Under the Danaharta Act, Danaharta can only appoint SAs with the approval of the Oversight Committee established under the Danaharta Act. The Oversight Committee currently comprises the Accountant-General, the Deputy Chief Executive of the Securities Commission (SC) and the Assistant Governor of Bank Negara Malaysia (the central bank). In addition to approving the appointment of SAs, the Oversight Committee also approves the appointment of Independent Advisors, extensions and terminations of moratoria (see "moratorium" on the next page) and the termination of SAs.

To obtain approval, Danaharta must satisfy the Oversight Committee that the criteria set out in Section 25 of the Danaharta Act have been met. These include the fact that the company cannot pay its debts, that the appointment would achieve the company's survival as a going concern or would result in a more advantageous realisation of assets than on a winding up, or that it would achieve a more expeditious restructuring.

SAs' Powers

On appointment, the SAs are empowered to manage the assets and affairs of the affected person and the powers of all the officers of the affected person are suspended. No person is authorised to perform a function as an officer of the affected person without the prior approval of the SAs. It is also an offence for a person to obstruct or hinder the SAs.

Sometimes, to preserve the value of viable businesses, it may be necessary for the affected person to obtain interim funding to ensure that it can 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 is assured of receiving priority in repayment. The Danaharta Act provides creditors who lend to the affected person during the special administration such priority. Likewise, the SAs will be paid approved costs and expenses in priority.

Moratorium

Upon the appointment of SAs, a moratorium on all claims and proceedings against the affected person takes effect and lasts for 12 months unless extended in accordance with the Danaharta Act. A person who wishes to commence legal proceedings against a company under special administration or against any person acting as a guarantor of the company must first seek Danaharta's approval to do so. This is consistent with the underlying purpose of the Danaharta Act, which is to ensure that Danaharta can achieve its mission promptly, efficiently and economically.

The Danaharta Act makes a breach of the moratorium a specific offence and the penalty is a fine not exceeding RM250,000 or imprisonment for up to three years or both.

Workout Proposals

The SAs' main task is to prepare a proposal to restructure the debts of the affected person. An Independent Advisor approved by the Oversight Committee will then review the reasonableness of the proposal taking into consideration the interest of creditors and shareholders. The workout proposal is submitted for approval by Danaharta and, subsequently, by secured creditors. The Danaharta Act defines secured creditors to be those who hold tangible assets - such as land, shares or fixed deposits - as security. This definition reflects the more common types of security usually held by financial institutions. In cases where the affected person does not have secured creditors, the Act states that, approval by Danaharta is sufficient. A workout proposal approved in accordance with the Danaharta Act binds the affected person, shareholders, creditors and anyone else affected by the proposal.

Modifications to the workout proposal are allowed and if the Independent Advisor thinks the modifications are sufficiently material, it may require the SAs to convene a meeting of secured creditors (if any) to consider the modifications.

If a proposal is not approved or is abandoned, Danaharta may request the SAs to submit a new proposal, remove the moratorium or appoint a replacement SA.

3. Foreclosure

Modes of Foreclosure

The Danaharta Act (supplemented by the Fifteenth Schedule of the National Land Code) allows Danaharta to foreclose on assets charged to it through sale by private treaty. While the modes of sale provided for by the Danaharta Act include auction, tender and private contract, Danaharta's preferred mode of sale has been by open tenders.

Pursuant to the Act, Danaharta may act as buyer of last resort for foreclosed assets. 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 may stand in as a buyer of last resort to ensure that properties are sold at a minimum price, and not at fire sale prices.

Right to Sell Notwithstanding Foreclosure Proceedings

Danaharta may exercise its rights to foreclose under the Danaharta Act even though the selling bank may have commenced foreclosure proceedings. As the loans acquired by Danaharta are non-performing loans, foreclosure proceedings may already have been commenced by the selling bank by the time they were sold 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.

Preservation of Value

Danaharta may also take appropriate steps to preserve the value of properties charged to it and to facilitate the sale of the property. For example, Danaharta may appoint guards to protect the property against acts of vandalism and malicious damage. Danaharta may also arrange for site inspections, maintenance and repair of the property. All these steps assist in maximising the recovery values of the property.

4. General Matters

Secrecy

The Danaharta Act imposes an obligation of secrecy on officers, employees and agents of Danaharta including the Oversight Committee and specifies a penalty for breach of this secrecy obligation, which is RM250,000 or jail for up to 3 years or both.

Offences by a Company

Where a company commits an offence under the Danaharta Act, officers of the company may also be charged for the same offence.

Immunity

The Danaharta Act protects Danaharta and its directors, employees and agents, as well as the Oversight Committee, against legal suits for things done in good faith and in the intended exercise of any power or discharge of any duty under Danaharta Act. Such protection is common for national debt resolution agencies such as Danaharta given the nature of their work.

Acts Done in Good Faith

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 still be accountable for the breach.

No Injunctions

Section 72 of the Danaharta Act prohibits injunctions being issued against Danaharta, the Oversight Committee, SAs or Independent Advisors.

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 they 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. 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.

Although Section 72 was challenged recently, the Federal Court has declared that Section 72 of the Act is valid and constitutional.

SECURITISATION

Introduction

On 20 December 2001, Danaharta successfully completed the issuance of RM310 million AAA-rated Senior Notes by Securita ABS One Berhad (Securita), a special purpose vehicle, to the investing public. The issuance was the first Collateralised Loan Obligations (CLO) transaction in Malaysia.

What is Securitisation?

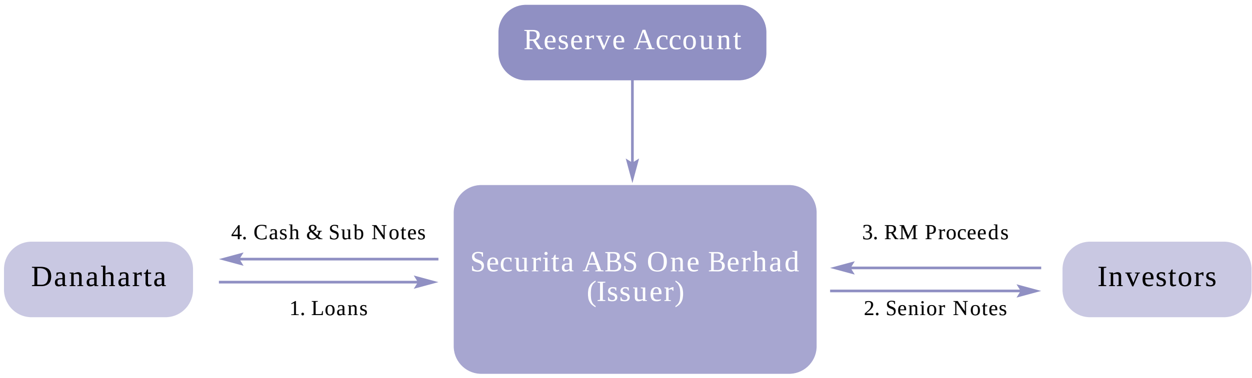
Securitisation is a fund raising technique whereby funds are raised via the issuance of securities backed by specific underlying assets. The underlying assets in a CLO transaction are loan obligations.

Securitisation was identified as a suitable method for Danaharta to divest its restructured loans for the following reasons:-

- It represents an efficient means for divestment as compared to selling loans individually, especially with regard to smaller loans.
- It enables a wider investor base to be addressed.
- Placement of rated debt securities would be easier than overcoming the difficulties in auctioning large number of loans where multiple investors would need access to loan data.
- Securitisation avoids the risk of investors "cherry picking" under the direct sale method.
- Danaharta's retention of the subordinated tranche of the securities would enable it to enjoy any residual upside in the recovery. At the same time, Danaharta would be incentivised to effect maximum recovery.
- The initiative would assist the Government in promoting securitisation as well as introduce new products to the financial market.

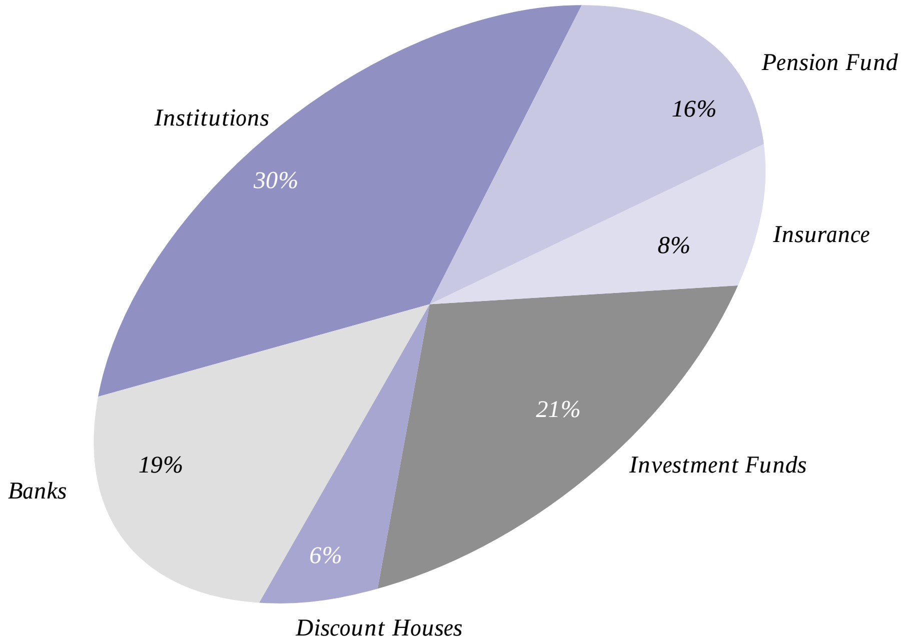
Transaction Summary

Danaharta's CLO transaction essentially involved the transfer of a portfolio of performing loans and cash totalling RM595 million to Securita by Danaharta Group. In return, Danaharta received cash and Subordinated Notes issued by the special purpose vehicle. Securita raised the cash by issuing RM310 million worth of Senior Notes to the investing public. The Notes have a coupon rate of 3.875% and mature in December 2005.



Successful Launch and Issue

Following a book-building process by the Joint-Lead Managers for the offer, the Senior Notes were issued at 99.54% of par value, 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, resulting in an over-subscription rate of 3.5 times with orders in excess of RM1.0 billion. The Senior Notes were issued on 20 December 2001 and allocated to a well diversified portfolio of investors as follows:-



Early Redemption of Senior Notes

Securita completed redemption of the entire RM310 million principal amount together with interest amounting to RM18.4 million of its issued ABS Senior Notes on 21 June 2004, eighteen months ahead of the due date of 20 December 2005.

With the redemption of the Senior Notes, Danaharta will continue to manage the remaining accounts to extract the maximum value in order to redeem the subordinated notes.

LIST OF COMPANIES UNDER SPECIAL ADMINISTRATION

Update on Companies under Special Administration as at 15 March 2005

As at 15 March 2005, Danaharta had appointed Special Administrators across 73 groups of companies, with 19 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	110
(b) Workout proposal implemented, Special Administrators pending discharge	4
(c) Workout proposal approved by authorities, being implemented	3
(d) Workout proposal submitted to authorities, awaiting approval	1
(e) Workout proposal approved by Secured Creditors, pending submission to authorities	0
(f) Special Administrators appointed, pending preparation of workout proposal	7

(a) Companies where Special Administrators have been Discharged (110 Companies):

	Company, principal activities & listing status	Special Administrators	Independent Advisor
1.	Fima Securities Sdn Bhd (previously 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 *Manufacturing of plywood and wood-based products.*	Mr. Patrick Chew Kok Mr. Alvin Tee Guan Pian (Anuarul Azizan Chew & Co) *Appointed on 7 April 1999.* *Discharged on 6 January 2000.*	Am 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.*	Alliance 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.*	OSK Holdings Berhad

	Company, principal activities & listing status	Special Administrators	Independent Advisor
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.*	Alliance Merchant Bank Berhad
7.	Perusahaan Sadur Timah Malaysia Berhad *Manufacturing and sale of tin plates. Listed on the Bursa Malaysia 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.*	Am Merchant Bank Berhad
8.	WK Securities Sdn Bhd *Stockbroking.*	Dato' Nordin Baharuddin Mr. Adam Primus Varghese Abdullah (Ernst & Young) *Appointed on 12 February 1999.* *Discharged on 29 November 2000.*	Alliance 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. Yeoh Eng Seng Mr. Adam Primus Varghese Abdullah Mr. Wong Lai Wah *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) *Appointed on 30 June 2000.* *Discharged on 20 December 2000.*	(SAs discharged without the formulation of workout proposal, therefore no Independent Advisor required)

	Company, principal activities & listing status	Special Administrators	Independent Advisor
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.*	Alliance Merchant Bank Berhad
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.*	Alliance Merchant Bank Berhad
15.	Utama Impian Sdn Bhd *Property development company.*	En. Razalee Amin Mr. Tam Kok Meng (Razalee & Co) *Appointed on 1 June 2000.* *Discharged on 30 April 2001.*	(SAs discharged without the formulation of workout proposal, therefore no Independent Advisor required)
16.	Dax Foods Sdn Bhd *Manufacturing and marketing of chocolate-based confectionery.*	Mr. Mok Yuen Lok Mr. Onn Kien Hoe (Horwath) *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.*	Horwath
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 without the formulation of workout proposal, therefore no Independent Advisor required)
21.	Miharja Development Sdn Bhd *Property development and investment.*	As above	As above

	Company, principal activities & listing status	Special Administrators	Independent Advisor
22.	Instangreen Corporation Berhad *The Group's principal activities are property & golf resort development, golf course and sports field design and construction, landscaping and general civil engineering works.* *Previously listed on the Bursa Malaysia Main Board.*	Mr. Mak Kum Choon Mr. Chu Siew Koon (Deloitte KassimChan) *Appointed on 9 September 1999.* *Discharged on 29 March 2002.*	Affin Merchant Bank Berhad
23.	SPJ Construction Sdn Bhd	As above	As above
24.	Instangreen (Landscape) Sdn Bhd	As above	As above
25.	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.* *Discharged on 28 February 2002.*	Ernst & Young
26.	Lumberise Sdn Bhd *Manufacturing of wood products.*	Ms. Chan Yim Fun Ms. Yap Wai Fun (PricewaterhouseCoopers) *Appointed on 15 December 1999.* *Discharged on 3 May 2002.*	K&N Kenanga Berhad
27.	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.* *Discharged on 24 April 2002.*	Ferrier Hodgson MH
28.	Soctek Edible Oils Sdn Bhd *Manufacturing of all types of edible oils and specialty fats.*	As above	As above

	Company, principal activities & listing status	Special Administrators	Independent Advisor
	Subsidiaries of Sri Hartamas Berhad		
29.	Sri Hartamas Hotels Sdn Bhd *Previously the owner of two hotels in Melaka and Pulau Pinang respectively.*	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
30.	Puncak Permata Sdn Bhd *Property developer.*	*Appointed on 18 October 2000.* *Discharged on 21 March 2003.*	As above
31.	Cempaka Mewah Sdn Bhd *Property developer.*	As above	As above
32.	Mawar Tiara Sdn Bhd *Property developer.*	*Appointed on 18 October 2000.* *Discharged on 5 May 2003.*	As above
33.	Mewah Rembang Sdn Bhd *Involved in property development.*	*Appointed on 18 October 2000.* *Discharged on 5 July 2002.*	As above
34.	Golden Pearl Island Hotel Sdn Bhd *Previously the owner of a 12-storey, 126-room hotel in Pulau Pinang.*	Mr. Mok Yuen Lok Mr. Poon Yew Hoe (Horwath) *Appointed on 24 July 2000.* *Discharged on 23 July 2002.*	Ferrier Hodgson MH
35.	Advance Synergy Furniture Sdn Bhd *Manufacturing of integrated furniture.*	Tuan Syed Amin Aljeffri En. Mohd Neezal Md Noordin (Aljeffri & Co) *Appointed on 9 September 1999.* *Discharged on 24 October 2002.*	OSK Holdings Berhad
36.	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.* *Discharged on 11 November 2002.*	Ernst & Young
37.	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.* *Discharged on 11 December 2002.*	Asia Pacific Management Insight Sdn Bhd
38	CA Manufacturing Sdn Bhd *Manufacturing of rubber wood furniture.*	As above	As above

	Company, principal activities & listing status	Special Administrators	Independent Advisor
39.	Perdana Industries Holdings Berhad *Investment holding.* *Previously listed on the Bursa Malaysia Main Board.*	Ms. Yap Wai Fun Mr. Lim San Peen (PricewaterhouseCoopers) *Appointed on 28 July 1999.* *Discharged on 26 December 2002.*	Deloitte KassimChan
40.	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.* *Discharged on 29 January 2003.*	Asia Pacific Management Insight Sdn Bhd
41.	Nitcom Sales & Services Sdn Bhd *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.* *Discharged on 17 February 2003.*	Horwath
42.	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
43.	Alpha Agencies Sdn Bhd *Previously the owner of a 14-storey, 291-room hotel in Kota Kinabalu, Sabah.*	Mr. Lim Tian Huat Mr. Ng Teck Wah (Ernst & Young) *Appointed on 24 July 2000.* *Discharged on 18 July 2003.*	BDO Binder
44.	Malaysia Electric Corporation Berhad *Manufacturing and retailing of household and electrical appliances.*	Mr. Lim Tian Huat Mr. George Koshy (Ernst & Young) *Appointed on 7 April 1999.* *Discharged on 24 March 2003.*	Commerce International Merchant Bankers Berhad
45.	MEC Industrial Park Sdn Bhd *Property holding company.*	*Appointed on 9 September 1999.* *Discharged on 25 October 2002.*	As above

	Company, principal activities & listing status	Special Administrators	Independent Advisor
46.	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.* *Previously listed on the Bursa Malaysia Main Board.*	Mr. Lim Tian Huat Mr. George Koshy (Ernst & Young) *Appointed on 9 September 1999.* *Discharged on 4 July 2003.*	RHB Sakura Merchant Bankers Berhad
47.	Profound View Sdn Bhd *Property development.*	*Appointed on 6 July 2000.* *Discharged on 4 July 2003.*	As above
48.	Danau Kota Development Sdn Bhd *Property development.*	As above	As above
49.	Likas View Sdn Bhd *Property development.*	As above	As above
50.	LMD Sdn Bhd (previously known as Salanta Development Sdn Bhd) *Property developer.*	En. Abdul Khudus Mohd Naim En. Hassan Hussain (KS & Associates) *Appointed on 29 August 2000.* *Discharged on 28 August 2003.*	BDO Binder
51.	Cableview Services Sdn Bhd *Television broadcasting services.*	Mr. Lim Tian Huat Mr. Chew Cheng Leong Y.M. Raja Ali Raja Othman (Ernst & Young) *Appointed on 30 August 2002.* *Discharged on 29 August 2003.*	(SAs discharged without the formulation of workout proposal, therefore no Independent Advisor required)
52.	Sportma Corporation Berhad *Manufacturing and trading of racquets and other sports equipment.* *Previously listed on the Bursa Malaysia Second Board.*	Mr. Robert Teo Keng Tuan Mr. Vincent Chew Chong Eu (Hanifah Teo & Associates) *Appointed on 9 September 1999.* *Discharged on 9 September 2003.*	Ferrier Hodgson MH

	Company, principal activities & listing status	Special Administrators	Independent Advisor
53.	Bridgecon Holdings Bhd *The Group is involved in the provision of civil engineering and concrete pumping services, manufacturing and supply of ready-mixed concrete, building construction, turnkey project management, quarrying operations and property development.* *Previously listed on the Bursa Malaysia Second Board.*	Mr. Siew Kah Toong Mr. Tan Kim Leong (BDO Binder) *Appointed on 6 April 2001.* *Discharged on 31 October 2003.*	Horwath
54.	Bridgecon Engineering Sdn Bhd *Involved in the provision of civil engineering and concrete pumping services, manufacturing and supply of ready-mixed concrete, building construction, turnkey project management, quarrying operations and property development.*	*Appointed on 24 May 2001.* *Discharged on 31 October 2003.*	As above
55	Lean Seng Chan (Quarry) Sdn Bhd *Involved in the operation of quarry.*	*Appointed on 24 May 2001.* *Discharged on 23 May 2002.*	As above
56.	Profil Kemas Sdn Bhd *Previously the 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.* *Discharged on 23 September 2003.*	OSK Holdings Berhad
57.	MGR Corporation Berhad *Manufacturing and marketing of timber-related products.* *Previously listed on the Bursa Malaysia Second Board.*	Mr. Adam Primus Varghese Abdullah Ms. Wong Lai Wah Mr. Kevin K. How (Ernst & Young) *Appointed on 11 October 2001.* *Discharged on 7 October 2003.*	BDO Binder
58	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.* *Discharged on 8 October 2003.*	Anuarul Azizan Chew & Co
59.	Metropolitan TV Sdn Bhd *Investment holding company involves in broadcasting activities.*	Mr. Mok Yuen Lok Mr. Onn Kien Hoe (Horwath) *Appointed on 12 July 2002.* *Discharged on 5 December 2003.*	Ferrier Hodgson MH

	Company, principal activities & listing status	Special Administrators	Independent Advisor
60.	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.* *Discharged on 12 December 2003.*	K&N Kenanga Berhad
61.	Sandakan Blockboard Manufacturing Co. Sdn Bhd *Manufacturing of plywood and blockboard.*	As above	As above
62.	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 holding.* *Previously listed on the Bursa Malaysia Second Board.*	Mr. Tan Kim Leong Mr. Siew Kah Toong (BDO Binder) *Appointed on 9 September 1999.* *Discharged on 19 December 2003.*	Shamsir Jasani Grant Thornton
63.	Parit Perak Holdings Berhad *Investment holding, provision of management services, property investment and development, and investment dealing.* *Previously listed on the Bursa Malaysia Main Board.*	Mr. Patrick Chew Kok Bin Mr. Alvin Tee Guan Pian En. Zulkharnain A. Rahim (Anuarul Azizan Chew & Co) *Appointed on 30 August 2002.* *Discharged on 19 December 2003.*	Ferrier Hodgson MH
64.	Kuala Lumpur Industries Holdings Berhad *Investment holding.* *Previously listed on the Bursa Malaysia Main Board.*	Mr. Mok Yuen Lok Mr. Onn Kien Hoe (Horwath) *Appointed on 30 June 2000.* *Discharged on 25 February 2004.*	PricewaterhouseCoopers
65.	Emville Sdn Bhd *Property developer.*	*Appointed on 27 October 2000.* *Discharged on 12 July 2002.*	As above
66.	Sistem Irama Sdn Bhd *Property developer.*	*Appointed on 30 June 2000.* *Discharged on 15 October 2003.*	As above
67.	Bee Hin Holdings Sdn Bhd *Investment holding, rental of properties and the provision of corporate and financial support services.*	*Appointed on 27 October 2000.* *Discharged on 19 December 2003.*	As above
68.	Kuala Lumpur Industries Berhad *Investment and property investment holding company.*	*Appointed on 30 June 2000.* *Discharged on 12 January 2004.*	As above

	Company, principal activities & listing status	Special Administrators	Independent Advisor
69	Abrar Corporation Berhad *Investment holding company with subsidiaries involved in property investment, development and construction.* *Previously listed on the Bursa Malaysia Main Board.*	Mr. Lim San Peen Ms. Yap Wai Fun (PricewaterhouseCoopers) *Appointed on 27 May 2000.* *Discharged on 26 February 2004.*	KPMG
70	Associated Kaolin Industries Berhad *Manufacturing and sale of refined kaolin, logging and downstream timber products.* *Previously listed on the Bursa Malaysia Second Board.*	Ms. Yap Wai Fun Mr. Lim San Peen (PricewaterhouseCoopers) *Appointed on 3 May 2000.* *Discharged on 20 March 2004.*	BDO Binder
71	L & M Corporation Bhd *Involved in construction and construction related services.* *Previously listed on the Bursa Malaysia Second Board.*	Mr. Gan Ah Tee Mr. Ooi Woon Chee En. Mohamed Raslan Abdul Rahman (KPMG) *Appointed on 30 August 2002.* *Discharged on 31 March 2004.*	BDO Binder
72.	Techno Asia Holdings Berhad (previously known as Westmont Land (Asia) Berhad) *Investment holding company with subsidiaries involved in property development, investment holding, palm plantations, power generation and hotel operations. Previously listed on the Bursa Malaysia Main Board.*	Mr. Lim Tian Huat Mr. Chew Cheng Leong (Ernst & Young) *Appointed on 2 February 2001.* *Discharged on 30 January 2004.*	OSK Holdings Berhad
73.	Litang Plantations Sdn Bhd *Oil palm plantation.*	*Appointed on 30 April 2001.* *Discharged on 5 January 2004.*	As above
74.	Cempaka Sepakat Sdn Bhd *Oil palm plantation.*	As above	As above
75.	Ganda Plantations (Perak) Sdn Bhd *Oil palm plantation.*	As above	As above
76	Techno Asia Venture Capital Sdn Bhd *Capital financing.*	As above	As above
77.	Ganda Edible Oils Sdn Bhd *Processing of crude palm oil.*	As above	As above

	Company, principal activities & listing status	Special Administrators	Independent Advisor
78.	Prima Moulds Manufacturing Sdn Bhd (previously known as Techno Asia Sdn Bhd) *Manufacturer of standard and custom mould bases.*	Mr. Lim Tian Huat Mr. Chew Cheng Leong (Ernst & Young) *Appointed on 2 February 2001.* *Discharged on 5 January 2004.*	OSK Holdings Berhad
79.	Wisma Dindings Sdn Bhd *Property development and investment.*	*Appointed 30 April 2001.* *Discharged on 16 April 2004.*	As above
80.	Mount Austin Properties Sdn Bhd *Property development.*	*Appointed 30 April 2001.* *Discharged on 23 April 2004.*	As above
81.	Timbermaster Industries Berhad *Investment holding company.* *Previously listed on the Bursa Malaysia Second Board.*	Mr. Lim San Peen Ms. Yap Wai Fun (PricewaterhouseCoopers) *Appointed on 14 December 1999.* *Discharged on 14 May 2004.*	KPMG
82.	Timbermaster (Malaysia) Sdn Bhd *Trading and exporting of wood products.*	*Appointed on 14 December 1999.* *Discharged on 11 December 2002.*	As above
83.	Kompleks Perkayuan Timbermaster Smallholders Sdn Bhd *Provides custom kiln drying and pressure treatment services for wood.*	*Appointed on 14 December 1999.* *Discharged on 10 December 2004.*	As above
84.	Rahman Hydraulic Tin Berhad *Tin mining and rubber production.* *Previously listed on the Bursa Malaysia Main Board.*	Mr. Yeo Eng Seng Mr. Adam Primus Varghese Abdullah Ms. Wong Lai Wah (Ernst & Young) *Appointed on 16 June 2000.* *Discharged on 15 June 2004.*	Am Merchant Bank Berhad
85.	Kinabalu Glamour Sdn Bhd *Involved in the operation of a bowling centre.*	Mr. Ooi Chee Kun Ms. Khoo Pek Ling (Folks DFK & Co) *Appointed on 12 July 2002.* *Discharged on 12 July 2004.*	PricewaterhouseCoopers
86.	Projek Kota Langkawi Sdn Bhd *Previously the owner of a 177-room resort hotel in Pulau Langkawi, Kedah.*	Ms. Chan Yim Fun Mr. Kenneth The Ah Kiam (PricewaterhouseCoopers) *Appointed on 24 July 2000.* *Discharged on 14 July 2004.*	Deloitte KassimChan

	Company, principal activities & listing status	Special Administrators	Independent Advisor
87.	Tang Kwor Ham Realty Sdn Bhd *Previously the owner and operator of a 112-room hotel in Melaka.*	Mr. Gan Ah Tee Mr. Ooi Woon Chee En. Mohamed Raslan Abdul Rahman (KPMG) *Appointed on 30 June 2000.* *Discharged on 7 October 2004.*	Asia Pacific Management Insight Sdn Bhd
88.	NCK Corporation Berhad *Investment holding company with subsidiaries involved in manufacturing and marketing of steel pipes and building materials, as well as property development.* *Previously listed on the Bursa Malaysia Main Board.*	Dato' Nordin Baharuddin Mr. Adam Primus Varghese Abdullah Ms. Wong Lai Wah (Ernst & Young) *Appointed on 16 April 2001.* *Discharged on 19 July 2004.*	Ferrier Hodgson MH
89.	NCK Wire Products Sdn Bhd *Manufacturing and marketing of wire products.*	*Appointed on 11 October 2001.* *Discharged on 23 January 2003.*	As above
90.	NCK Metal Sdn Bhd *Provision of specialist materials and soil protection works. Leasing and rental of temporary construction materials.*	*Appointed on 11 October 2001.* *Discharged on 30 June 2003.*	As above
91.	Ng Choo Kwan & Sons Hardware Sdn Bhd *Hardware merchant.*	*Appointed on 11 October 2001.* *Discharged on 4 July 2003.*	As above
92.	NCK Aluminium Extrusion Sdn Bhd *Manufacturing of aluminium products.*	As above	As above
93.	Fook Chuan Trading Sdn Bhd *Dealer in building materials, including hardware products.*	As above	As above
94.	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.* *Discharged on 17 August 2004.*	KPMG
95.	Manalom Sdn Bhd *Housing & property development.*	Mr. Mak Kum Choon Mr. Chu Siew Koon (Deloitte KassimChan) *Appointed on 27 July 1999.* *Discharged on 26 July 2004.*	Aseambankers Malaysia Berhad

	Company, principal activities & listing status	Special Administrators	Independent Advisor
96.	Hiap Aik Construction Berhad *Undertaking of earthworks, foundation and construction contracts. Previously listed on the Bursa Malaysia Second Board.*	Mr. Patrick Chew Kok Bin Mr. Alvin Tee Guan Pian (Anuarul Azizan Chew & Co) *Appointed on 1 April 2002.* *Discharged on 6 August 2004.*	Horwath
97.	Sin Heng Chan (Malaya) Berhad *Investment holding company. Subsidiaries engaged in broiler breeding, as well as manufacturing and sale of formulated animal products. Listed on the Bursa Malaysia Main Board.*	Mr. Lim Tian Huat Mr. George Koshy (Ernst & Young) *Appointed on 11 August 1999.* *Discharged on 9 August 2004.*	Asia Pacific Management Insight Sdn Bhd
98.	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.* *Discharged on 22 September 2004.*	Ferrier Hodgson MH
99.	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
100.	Matahari-TCP Sdn Bhd *Wholesale, retail, deal and trade in computer products.*	As above	As above
101.	Bescorp Industries Berhad *Manufacturing & sale of reinforced concrete piles and contracting of piling & substructure works for infrastructure & construction projects. Previously listed on the Bursa Malaysia Second Board.*	Mr. Tan Kim Leong Mr. Siew Kah Toong (BDO Binder) *Appointed on 2 March 2000.* *Discharged on 29 December 2004.*	Deloitte KassimChan
102.	Naluri Berhad *Investment holding. Listed on the Bursa Malaysia Main Board.*	Mr. Gan Ah Tee Mr. Ooi Woon Chee En. Mohamed Raslan Abdul Rahman (KPMG) *Appointed on 23 December 2002.* *Discharged on 18 December 2004.*	BDO Binder

	Company, principal activities & listing status	Special Administrators	Independent Advisor
103.	Repco Holdings Berhad *Investment holding and provision of management services to companies within the Repco group.* *De-listed by Bursa Malaysia on 11 August 2003.*	Ms. Chan Yim Fun Mr. Kenneth Teh Ah Kiam (PricewaterhouseCoopers) *Appointed on 8 April 1999.* *Discharged on 10 November 2004.*	Aseambankers Malaysia Berhad
104.	Repco (Malaysia) Sdn Bhd *Trading in automotive parts.*	*Appointed on 8 April 1999.* *Discharged on 26 January 2005.*	As above
105.	Repco Timber Sdn Bhd *Provision of timber operation management services and the marketing of timber related products.*	*Appointed on 8 April 1999.* *Discharged on 10 September 2004.*	As above
106.	Hajat Semarak (M) Sdn Bhd *Trading of timber logs.*	As above	As above
107.	Teluk Jadi Sdn Bhd *Extraction of timber logs.*	As above	As above
108.	Even Horizon Sdn Bhd *Investment holding.*	As above	As above
109.	Teras Cemerlang Sdn Bhd *Investment holding.* *Substantial shareholder of Repco Holdings Berhad.*	*Appointed on 8 April 1999.* *Discharged on 21 December 2004.*	As above
110.	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.* *Discharged on 4 February 2005.*	Horwath

(b) Companies where Workout Proposals have been Implemented, and Special Administrators are Pending Discharge (4 Companies):

	Company, principal activities & listing status	Special Administrators	Independent Advisor
1.	Saship Holdings Berhad *Investment holding, letting out of properties and provision of management services.* *Previously listed on the Bursa Malaysia Main Board.*	Mr. Lim Tian Huat Mr. Chew Cheng Leong Y.M. Raja Ali Raja Othman (Ernst & Young) *Appointed on 28 April 2003.* *Moratorium extended to 27 April 2005.* *Y.M. Raja Ali Raja Othman was discharged on 17 August 2004.*	Deloitte KassimChan
2.	Timbermaster Timber Complex (Sabah) Sdn Bhd *Manufacturing of plywood and kiln drying facility.* *Subsidiary of Timbermaster Industries Berhad.*	Mr. Lim San Peen Ms. Yap Wai Fun (PricewaterhouseCoopers) *Appointed on 14 December 1999.* *Moratorium extended to 30 June 2005.* *Ms. Yap Wai Fun was discharged on 22 February 2005.*	KPMG
3.	Sri Hartamas Berhad *Property development company.* *De-listed by Bursa Malaysia on 17 February 2005.*	Mr. Gan Ah Tee Mr. Ooi Woon Chee En. Mohamed Raslan Abdul Rahman (KPMG) *Appointed on 16 June 2000.* *Moratorium extended to 15 June 2005.*	Deloitte KassimChan
4.	RNC Corporation Berhad (previously 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.* *Previously listed on the Bursa Malaysia Main Board.*	Mr. Robert Teo Keng Tuan Mr. Vincent Chew Chong Eu (Hanifah Teo & Associates) *Appointed on 28 July 1999.* *Moratorium extended to 27 July 2005.*	Alliance Merchant Bank Berhad

(c) Companies where Workout Proposals have been Approved by the Authorities and are being Implemented (3 Companies) :

	Company, principal activities & listing status	Special Administrators	Independent Advisor
1.	Jupiter Securities Sdn Bhd *Stockbroking.*	Mr. Gan Ah Tee Mr. Ooi Woon Chee (KPMG) *Appointed on 30 April 1999.* *Moratorium extended to 29 April 2005.*	RHB Sakura Merchant Bankers Berhad
2.	Perkayuan T.M. (Malaysia) Sdn Bhd *Manufacturing of wood products* *Subsidiary of Timbermaster Industries Berhad.*	Mr. Lim San Peen Ms. Yap Wai Fun (PricewaterhouseCoopers) *Appointed on 24 January 2000.* *Moratorium extended to 30 June 2005.* *Ms. Yap Wai Fun was discharged on 22 February 2005.*	KPMG
3.	Woo Hing Brothers (Malaya) Berhad *Retailer in watches.* *Listed on the Bursa Malaysia Second Board.*	Mr. Heng Ji Keng Mr. Bradley Dean Norman (Ferrier Hodgson MH) *Appointed on 2 March 2000.* *Moratorium extended to 30 June 2005.*	Horwath

(d) Companies where Workout Proposals have been Submitted to Authorities, and are Awaiting Approval (1 Company):

	Company, principal activities & listing status	Special Administrators	Independent Advisor
1.	Kilang Papan Seribu Daya Berhad *Production of sawn timber and moulded timber products.* *Listed on the Bursa Malaysia 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 30 June 2005.*	Aseambankers Malaysia Berhad

(e) Companies where Workout Proposals have been Approved by Secured Creditors, and are Currently Pending Submission to Authorities (0 Company):

(f) Companies where Special Administrators have been Appointed, and Pending Preparation of Workout Proposals (7 Companies):

	Company, principal activities & listing status	Special Administrators	Independent Advisor
	Subsidiaries of Repco Holdings Berhad		
1.	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 2005.* *Mr. Kenneth Teh Ah Kiam was discharged on 22 February 2005.*	Aseambankers Malaysia Berhad
2.	Everise Ventures Sdn Bhd *Organising and managing of 4-digit forecast pools.*	As above	As above
3.	Abrar Group International Sdn Bhd *Investment holding company with subsidiaries involved in financial services.*	Mr. Lim San Peen Ms. Yap Wai Fun (PricewaterhouseCoopers) *Appointed on 27 May 2000.* *Moratorium extended to 26 May 2005.* *Ms. Yap Wai Fun was discharged on 22 February 2005.*	Horwath
4.	Pekeliling Triangle Sdn Bhd *Property developer.*	Mr. Lim Tian Huat Mr. Chew Cheng Leong Y.M. Raja Ali Raja Othman (Ernst & Young) *Appointed on 15 October 2002.* *Moratorium extended to 30 June 2005.* *Y.M. Raja Ali Raja Othman was discharged on 17 August 2004.*	Anuarul Azizan Chew & Co
5.	Sabah Shipyard Sdn Bhd *Involved in the engineering, construction, servicing and repairing of ships, barges and buoys, as well as in the fabrication of offshore oil and gas production platforms.* *Subsidiary of Saship Holdings Berhad.*	Mr. Lim Tian Huat Mr. Chew Cheng Leong Y.M. Raja Ali Raja Othman (Ernst & Young) *Appointed on 28 April 2003.* *Moratorium extended to 27 April 2005.* *Y.M. Raja Ali Raja Othman was discharged on 17 August 2004.*	Deloitte KassimChan

	Company, principal activities & listing status	Special Administrators	Independent Advisor
6.	Waktu Cerah Sdn Bhd *Property developer.* *Subsidiary of Bescorp Industries Berhad.*	Mr. Tan Kim Leong Mr. Siew Kah Toong (BDO Binders) *Appointed on 16 March 2004.* *Moratorium extended to 30 September 2005.*	Deloitte KassimChan
7.	Spiral Globe Sdn Bhd *Property developer.*	Mr. Patrick Chew Kok Bin Mr. Alvin Tee Guan Pin En.. Zulkarnain A. Rahim (Anuarul, Azizan Chew & Co) *Appointed on 22 March 2004.*	BDO Binder

Calendar of Events 2004

CALENDAR OF EVENTS 2004

January

4	Danaharta briefs Universiti Teknologi Malaysia students
9	Visit by British High Commissioner
12	Danaharta announces the launch of a specific tender to sell properties in Kuala Lumpur, Pahang and Melaka
21	Visit by Bombay Stock Exchange , India

February

11	Visit by Japan Embassy and UFJ Institute
13 – 15	Danaharta attends the Colombo Conclave: “Balancing Recovery, Restructuring and Liquidation – the emerging challenges in Asia” conference in Colombo, Sri Lanka
18 – 20	Danaharta presents a paper on “Mission & Progress of Danaharta” at the Conference on Banking Sector Issues: Weak Banks & Systematic Crises organized by the Bank for International Settlements in Bangkok
24	Danaharta announces the launch of a specific tender to sell 2 hotels, 2 parcels of land and an industrial scheme
	Visit by French Embassy

March

5	Danaharta announces half yearly operations results for the six months ended 31 December 2003
10	Danaharta announces ninth nationwide property tender
16	Danaharta appoints Special Administrators of Waktu Cerah Sdn Bhd
22	Danaharta appoints Special Administrators of Spiral Globe Sdn Bhd
23	Danaharta attends The World Bank Conference on Corporate Restructuring: International Best Practices in Washington, DC
28 – 30	Danaharta presents a paper on “Malaysia’s Experience with Corporate Restructuring” at the *Program of Sekolah Staf dan Pimpinan Bank Indonesia (SESPIBI XXVI)* organised by Bank Indonesia
31	Danaharta redeems three tranches of matured bonds with a total face value of RM3.74 billion

April

2	Interview with TV3 on Danaharta's ninth nationwide property tender
5	Interview with ASTRO on Danaharta's ninth nationwide property tender
13	Interview with The Observer, a leading United Kingdom newspaper
16	Briefing to Minority Shareholders Watchdog Group (MSWG)

May

5 – 7	Danaharta presents a paper on “Danaharta Loan Restructuring Case Study” at the Asian Banker Summit for Establishing the Pillars of Sustainable Growth in Hong Kong

June

8 Danaharta announces the sales results of the ninth nationwide property tender

18 Visit by ABN Amro

30 Danaharta redeems three tranches of matured bonds with a total face value of RM2.305 billion

July

20 Visit by Bank Indonesia

27 Danaharta announces the launch of a specific tender to sell seven properties

August

8 – 10 Visit to PT Perusahaan Pengelola Aset (PPA), Jakarta, Indonesia

27 Danaharta announces half yearly operations results for the six months ended 30 June 2004

September

14 Visit by Hermes Investment Management London & ABN Amro Securities

21 Danaharta announces tenth nationwide tender

30 Danaharta redeems two tranches of matured bonds with a total face value of RM0.731 billion

October

14 Visit by International Monetary Fund (IMF)

November

3 Visit by Bombay Stock Exchange, India

December

10 Danaharta announces the sales results of the tenth nationwide property tender

Danaharta announces the completion of the sale transaction of 220.96 million Naluri Berhad shares

15 Danaharta announces the appointment of Puan Myrzela Sabtu as Head of its Property Division, replacing Dato' Johan Ariffin, Senior General Manager of Property Division, effective 1 January 2005

31 Danaharta redeemed two tranches of matured bonds with a total face value of RM0.967 billion

Calendar of Events 2004

DANAHARTA is a special word coined by the Government referring to assets in both financial and physical forms. As such, to promote an awareness of Danaharta and its mission to manage such assets, it was decided to make the name itself the logo – that is, a logotype.

The blue of the logotype conveys strength and determination – qualities needed in abundance to achieve Danaharta's objectives i.e. to resolve non-performing loans (NPLs) acquired from financial institutions and to maximize their recovery value. The coin in the centre of the logo signifies the tool of trade for financial institutions, befitting Danaharta's role as a major government agency helping to restructure and reform the banking sector, whilst the rich matte gold hue of the coin represents Danaharta's national standing. The cursive script used in the logotype is a reference to the creativity and resourcefulness required to formulate solutions to difficult challenges.

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