

OPERATIONS REPORT

Period from 20 June 1998 to 31 December 1998

SALIENT POINTS

- Non-performing loans in Danaharta's portfolio (as at 31 December 1998)

	RM billion	RM billion	No. of accounts
Acquired and completed	8.106		202
Managed	11.622		632
		19.728	834
Evaluated but pending completion	2.763		109
Rejected by FIs	1.779		52
		4.542	
Total evaluated by Danaharta		24.270	995

- Average discount on gross value of acquired NPLs
 - 61%
 - 37% (if excluding one large loan)
- Group operating loss
 - RM17.3 million
- Group shareholders' funds
 - RM232.7 million

CONTENTS

2 - 5	Commentary
6	Unaudited Accounts
7 - 9	Appendix 1 – NPLs by financial institution and sector
10	Appendix 2 – Analysis of NPL portfolio
11 - 13	Appendix 3 – Explanatory notes to Danaharta's Acquisition Approach
14 - 15	Appendix 4 – Glossary of Terms

CONTACTS

Shariffuddin Khalid
 Tel: (603) 461 7105
 E-mail: sk@danaharta.com.my

Nora Shah
 Tel: (603) 461 7107
 E-mail: nora@danaharta.com.my

Ng Mun Yee
 Tel: (603) 461 7110
 E-mail: nmy@danaharta.com.my

Kevin Lee
 Tel: (603) 461 7109
 E-mail: kl@danaharta.com.my

COMMENTARY

As at 31 December 1998, Danaharta had acquired a total of RM8.106 billion in gross value of non-performing loans (NPLs) from 39 financial institutions (FIs). Danaharta also managed, on behalf of Bank Negara Malaysia (BNM), RM11.622 billion in gross value of NPLs of two FIs, namely Sime Bank Berhad and Sime International Bank (L) Ltd (now known as Danaharta Managers (L) Ltd). An additional RM2.763 billion in gross value of NPLs was pending completion at the end of the year, while offers made by Danaharta for RM1.779 billion in gross value of NPLs were rejected by FIs during the period ended 31 December 1998.

The overall weighted average discount on acquisitions made in the period ended 31 December 1998 was 61%. NPLs to the broad property sector which includes construction (27.7%), as well as for the purchase of securities (16.9%), account for a large portion of the portfolio.

As stated in *Acquisition Approach* on page 3, in the case of exceptionally large NPLs, where valuation is either onerous or inconclusive, Danaharta may pay a nominal sum for the NPL and include a more generous profit-sharing arrangement for the FI. During the period under review, one loan with a gross value of RM3.088 billion was acquired under such an arrangement. This loan relates to financing extended to a holding company which invested in a company engaged in a primary industry outside Malaysia.

Should this specific large NPL be excluded, the weighted average discount is smaller at 37%. In this case, the largest segments of Danaharta's portfolio remain the broad property sector (32.8%) and for the purchase of securities (20.0%).

Tables A & B in Appendix 1 on pages 7 to 9 give the breakdown by FI and sector respectively of NPLs within Danaharta's portfolio as at 31 December 1998.

► Payment for NPLs acquired

In return for the NPLs acquired in the period, Danaharta issued RM3.843 billion in face value (with present value of RM2.737 billion) of Government guaranteed bonds and paid RM0.416 billion in cash to the selling FIs. The total fair purchase price paid by Danaharta is therefore RM3.153 billion (RM2.737 billion plus RM0.416 billion).

Cash payments were made for acquisitions of NPLs from development finance institutions, loans extended under the Islamic concept and unsecured loans.

The bond issues made in relation to acquisitions in the period ended 31 December 1998 are as follows:

Date of issue	Face value RM billion	Price for every RM100.00 in face value	Yield	Present value RM billion	Date of maturity
20 November 1998	1.022	69.832	7.150%	0.713	31 December 2003
30 December 1998	1.580	72.012	6.672%	1.138	31 December 2003
29 January 1999	1.098 *	71.301	6.654%	0.783	31 March 2004
26 February 1999	0.143 *	72.296	6.475%	0.103	31 March 2004
	3.843			2.737	

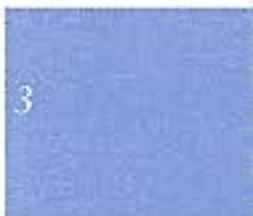
* The total face value of the bond issues on 29 January 1999 and 26 February 1999 were RM1.105 billion and RM1.242 billion respectively. The above values exclude payments for NPLs acquired in 1999.

➤ Acquisition approach

There are three stages to the acquisition approach, the first of which is the acquisition of secured NPLs (Stage 1), followed by unsecured NPLs (Stage 2) and other NPLs (Stage 3) such as foreign currency loans.

In addition, Danaharta categorised the FIs into four categories ranging from the weaker FIs, including those that needed recapitalisation, to the stronger FIs that are less likely to sell their NPLs to Danaharta. It made sense to concentrate on weaker FIs first as they were willing to transact. Danaharta expects to complete all three stages of acquisitions from all remaining FIs by June 1999, six months ahead of the original schedule of December 1999.

To accelerate the acquisition process, FIs selling unsecured NPLs (i.e. Stage 2) will receive a flat 10% of the principal outstanding of the NPLs, i.e. Danaharta acquires the NPLs at a discount of 90%. Furthermore, Danaharta will assess exceptionally large NPLs on a case-by-case basis in relation to the evaluation of fair value as well as the profit-sharing arrangement. To recap, Danaharta's normal profit-sharing arrangement stipulates that any excess in recovery values over and above Danaharta's cost of acquisition plus directly attributable costs are shared with the selling FI on an 80 (FI) : 20 (Danaharta) basis.



COMMENTARY

In the case of exceptionally large NPLs (in excess of RM200 million in gross value) where valuation is either onerous or inconclusive, Danaharta may pay either a nominal sum or a percentage of the principal outstanding for the NPL. Where Danaharta pays a nominal sum, profits will be shared on a 95 (FI) : 5 (Danaharta) basis. On the other hand, where Danaharta pays a percentage of the principal outstanding, profits will be shared on a 90 (FI) : 10 (Danaharta) basis. However, for such NPLs, Danaharta will have full recourse to the selling FIs for up to the purchase consideration should the actual recovery value be less than the purchase consideration. As the risks of recovery are borne by the selling FIs, their consent will be sought by Danaharta in resolving the loans.

In all the above cases, the FI's share is capped at the shortfall suffered plus imputed holding costs.

➤ Financial results

It is common for asset management companies to run at a loss mainly because the assets acquired are non-performing and sale proceeds do not materialise immediately. Nonetheless, the Board and management are determined to make every effort to minimise the cost to the Government by maximising the recovery value of assets within Danaharta's portfolio.

For the period from 20 June 1998 to 31 December 1998, the Danaharta Group made a group operating loss of RM17.3 million (unaudited). This was attributable to operating, set-up and interest costs. Group shareholders' funds stood at RM232.7 million. No dividends were declared.

➤ Assets under management

With regard to the NPLs of Sime Bank Berhad and Sime International Bank (L) Ltd that are currently being managed, Danaharta receives fees as follows:

- If net recovery value is less than or equals net book value – Danaharta receives 2% of the net recovery value
- If net recovery value exceeds net book value – Danaharta receives 2% of the net book value and 20% of the excess

The balance of all recoveries accrue to BNM in accordance with the agreement between Danaharta and BNM.

The amount of Sime Bank NPLs managed by Danaharta as at 31 December 1998 is RM7.301 billion. Together with the entire loan portfolio (both performing and non-performing) of Sime International Bank (L) Ltd of RM4.321 billion, the amount under Danaharta's care stood at RM11.622 billion.

The loan portfolio of Sime Bank may increase in time. BNM may, within a period of 12 months from the date of the merger between Sime Bank and RHB Bank, request Danaharta to manage additional loans from Sime Bank.

➤ Post-balance sheet events

The current year will see Danaharta moving fully into the management of the acquired NPLs. In this regard, Danaharta has to date appointed Special Administrators over seven stockbroking companies. These stockbroking companies are: Capitalcorp Securities Sdn Bhd; Alor Setar Securities Sdn Bhd; WK Securities Sdn Bhd; Labuan Securities Sdn Bhd; Taiping Securities Sdn Bhd; MBf Northern Securities Sdn Bhd; and Halim Securities Sdn Bhd.

The Special Administrators from various accounting firms have assumed control and management of the assets and affairs of these stockbroking companies. Apart from coming up with workout proposals to maximise the recovery value, the Special Administrators will ensure that effective management and controls are in place to reduce the risk of future losses. These companies are also among those which Danaharta has been working on as part of the Securities Commission's scheme for the stockbroking industry.

There are numerous other NPL accounts where selling FIs had already embarked on recovery measures such as the appointment of receivers and managers or monitoring accountants, or commenced legal proceedings. In such cases, Danaharta has continued those initiatives upon acquisition of the NPLs.

Danaharta increased its paid-up share capital from RM250 million to RM500 million on 13 January 1999. It is expected that Danaharta's paid-up share capital will increase to RM1.5 billion by the middle of 1999.

ACCOUNTS

➤ PROFIT & LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED 31 DECEMBER 1998

	Consolidated RM'000	Company RM'000
Interest income	5,639	5,635
Interest expense	(7,796)	(7,796)
Net interest expense	(2,157)	(2,161)
Overhead expenses	(15,152)	(15,152)
Operating and retained loss	(17,309)	(17,313)

➤ BALANCE SHEET (UNAUDITED) AS AT 31 DECEMBER 1998

	Consolidated RM'000	Company RM'000
ASSETS		
Cash and bank balances	157	153
Deposits and placements with financial institutions	472,323	471,319
Acquired loans (Note 1)	3,152,753	3,152,753
Other assets	4,287	4,251
Investment in subsidiary companies (Note 2)	-	1,000
Fixed assets	4,184	4,078
TOTAL ASSETS	3,633,704	3,633,554
LIABILITIES & SHAREHOLDERS' FUNDS		
Redeemable guaranteed zero-coupon bearer bonds (Note 3)	1,857,968	1,857,968
Amounts payable on acquired loans	1,233,207	1,233,207
Long term loans	300,877	300,877
Other liabilities	8,961	8,815
Total Liabilities	3,401,013	3,400,867
Financed by:		
Share capital of RM1 each	250,000	250,000
Reserves	(17,309)	17,313)
Shareholders' Funds	232,691	232,687
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS	3,633,704	3,633,554

Note 1: The difference of RM0.6 million between acquired loans as reflected in the above balance sheet (RM3,152.8 million) and the total fair value paid by Danaharta as stated in Tables A & B on pages 7 to 9 (RM3,153.4 million), relates to subsequent repayment by borrowers after the loans were acquired by Danaharta.

Note 2: Danaharta Managers Sdn Bhd, a wholly-owned subsidiary of Danaharta, was incorporated on 2 November 1998.

Note 3: This relates to the first two bond issues made on 20 November 1998 and 30 December 1998 and includes an amortisation of deferred interest expense of approximately RM6.9 million.

APPENDIX 1

Table A – NPLs by financial institution

	Acquired				Acquired (excluding one large loan)				Managed	
	Loan Rights Acquired	Fair Purchase Price	Weighted Average Discount	No of accounts	Loan Rights Acquired	Fair Purchase Price	Weighted Average Discount	No of accounts	Loan Rights Managed	No of accounts
	RM million				RM million				RM million	
Commercial Banks										
1 ABN AMRO Bank Berhad	-	-	-	-	-	-	-	-	-	-
2 Arab-Malaysian Bank Berhad	296.5	165.0	44%	6	296.5	165.0	44%	6	-	-
3 Ban Hlin Lee Bank Berhad	-	-	-	-	-	-	-	-	-	-
4 Bangkok Bank Berhad	0.3	0.2	12%	1	0.3	0.2	12%	1	-	-
5 Bank Bumiputra Malaysia Berhad	1,678.5	264.3	84%	18	751.7	264.3	65%	17	-	-
6 Bank of America Malaysia Berhad	-	-	-	-	-	-	-	-	-	-
7 Bank of Commerce (M) Berhad	666.5	62.0	91%	2	88.5	62.0	30%	1	-	-
8 Bank of Tokyo - Mitsubishi (Malaysia) Berhad	-	-	-	-	-	-	-	-	-	-
9 Bank Utama (Malaysia) Berhad	-	-	-	-	-	-	-	-	-	-
10 BSN Commercial Bank (Malaysia) Berhad	270.5	161.3	40%	19	270.5	161.3	40%	19	-	-
11 Citibank Berhad	-	-	-	-	-	-	-	-	-	-
12 Deutsche Bank (Malaysia) Berhad	-	-	-	-	-	-	-	-	-	-
13 EON Bank Berhad	79.3	59.1	26%	2	79.3	59.1	26%	2	-	-
14 Hock Hua Bank Berhad	-	-	-	-	-	-	-	-	-	-
15 Hong Leong Bank Berhad	-	-	-	-	-	-	-	-	-	-
16 Hongkong Bank Malaysia Berhad	7.8	7.8	0%	1	7.8	7.8	0%	1	-	-
17 International Bank Malaysia Berhad	-	-	-	-	-	-	-	-	-	-
18 Malayan Banking Berhad	937.3	4.5	99%	3	11.9	4.5	62%	2	-	-
19 Multi-Purpose Bank Berhad	27.1	25.7	5%	2	27.1	25.7	5%	2	-	-
20 OCBC Bank (Malaysia) Berhad	-	-	-	-	-	-	-	-	-	-
21 Oriental Bank Berhad	191.4	72.9	62%	16	191.4	72.9	62%	16	-	-
22 Overseas Union Bank (Malaysia) Berhad	-	-	-	-	-	-	-	-	-	-
23 Perwira Affin Bank Berhad	4.2	2.8	33%	1	4.2	2.8	33%	1	-	-
24 PhileoAllied Bank (Malaysia) Berhad	-	-	-	-	-	-	-	-	-	-
25 Public Bank Berhad	8.4	5.6	33%	1	8.4	5.6	33%	1	-	-
26 RHB Bank Berhad	1,211.0	346.7	71%	24	552.7	346.7	37%	23	-	-
27 Sabah Bank Berhad	22.7	14.5	36%	2	22.7	14.5	36%	2	-	-
28 Sime Bank Berhad	55.3	38.7	30%	1	55.3	38.7	30%	1	7,301.1	516
29 Southern Bank Berhad	-	-	-	-	-	-	-	-	-	-
30 Standard Chartered Bank Malaysia Berhad	-	-	-	-	-	-	-	-	-	-
31 The Bank of Nova Scotia Berhad	-	-	-	-	-	-	-	-	-	-
32 The Chase Manhattan Bank (M) Berhad	-	-	-	-	-	-	-	-	-	-
33 The Pacific Bank Berhad	27.3	20.6	25%	3	27.3	20.6	25%	3	-	-
34 United Overseas Bank (Malaysia) Berhad	-	-	-	-	-	-	-	-	-	-
35 Wah Tat Bank Berhad	-	-	-	-	-	-	-	-	-	-
	5,484.1	1,251.7	77%	102	2,395.6	1,251.7	48%	98	7,301.1	516
Offshore Banks										
1 AMMB International (L) Ltd	123.1	104.7	15%	1	123.1	104.7	15%	1	-	-
2 Sime International Bank (L) Ltd	-	-	-	-	-	-	-	-	4,320.7	116
	123.1	104.7	15%	1	123.1	104.7	15%	1	4,320.7	116



APPENDIX 1

Table A – NPLs by financial institution (cont'd)

	Acquired				Acquired (excluding one large loan)				Managed	
	Loan Rights Acquired	Fair Purchase Price	Weighted Average Discount	No of accounts	Loan Rights Acquired	Fair Purchase Price	Weighted Average Discount	No of accounts	Loan Rights Managed	No of accounts
	RM million				RM million				RM million	
Finance Companies										
1 Affin Finance Berhad	12.9	10.1	22%	1	12.9	10.1	22%	1		
2 Amanah Finance Malaysia Berhad	14.1	14.1	0%	2	14.1	14.1	0%	2		
3 Arab-Malaysian Finance Berhad	127.8	100.3	22%	6	127.8	100.3	22%	6		
4 Bolton Finance Berhad	12.9	10.1	22%	1	12.9	10.1	22%	1		
5 Credit Corporation (Malaysia) Berhad	12.7	12.7	0%	1	12.7	12.7	0%	1		
6 Hong Leong Finance Berhad	-	-	-	-	-	-	-	-		
7 Kewangan Bersatu Berhad	8.5	8.5	0%	1	8.5	8.5	0%	1		
8 Kewangan Industri Berhad	11.3	11.3	0%	1	11.3	11.3	0%	1		
9 Maybank Finance Berhad	-	-	-	-	-	-	-	-		
10 MBF Finance Berhad	335.1	167.9	50%	13	335.1	167.9	50%	13		
11 Multi-Purpose Finance Berhad	8.5	8.5	0%	1	8.5	8.5	0%	1		
12 Public Finance Berhad	35.0	35.0	0%	2	35.0	35.0	0%	2		
13 Sabah Finance Berhad	5.8	3.0	49%	1	5.8	3.0	49%	1		
14 SimeFinance Berhad	5.6	5.6	0%	1	5.6	5.6	0%	1		
15 Southern Finance Company Berhad	4.7	4.0	15%	1	4.7	4.0	15%	1		
16 United Merchant Finance Berhad	348.4	259.9	25%	22	348.4	259.9	25%	22		
	943.4	651.0	31%	54	943.4	651.0	31%	54	-	-
Merchant Banks										
1 Amanah Merchant Bank Berhad	21.2	19.8	7%	2	21.2	19.8	7%	2		
2 Arab-Malaysian Merchant Bank Berhad	415.7	336.3	19%	12	415.7	336.3	19%	12		
3 Asambankers Malaysia Berhad	-	-	-	-	-	-	-	-		
4 BSN Merchant Bank Berhad	-	-	-	-	-	-	-	-		
5 Bumiputra Merchant Bankers Berhad	-	-	-	-	-	-	-	-		
6 Commerce International Merchant Bankers Berhad	28.9	20.2	31%	1	28.9	20.2	31%	1		
7 Malaysian International Merchant Bankers Berhad	-	-	-	-	-	-	-	-		
8 Perdana Merchant Bankers Berhad	75.3	59.8	21%	4	75.3	59.8	21%	4		
9 Perwira Affin Merchant Bank Berhad	407.6	303.3	26%	13	407.6	303.3	26%	13		
10 RHB Sakura Merchant Bankers Berhad	54.8	41.1	25%	3	54.8	41.1	25%	3		
11 Sime Merchant Bankers Berhad	2.8	2.8	0%	1	2.8	2.8	0%	1		
12 Utama Merchant Bank Berhad	-	-	-	-	-	-	-	-		
	1,006.3	783.3	22%	36	1,006.3	783.3	22%	36	-	-
Development Finance Institutions										
1 Bank Industri Malaysia Berhad	-	-	-	-	-	-	-	-		
2 Bank Islam Malaysia Berhad	-	-	-	-	-	-	-	-		
3 Bank Kerjasama Rakyat Malaysia Berhad	-	-	-	-	-	-	-	-		
4 Bank Pembangunan Malaysia Berhad	-	-	-	-	-	-	-	-		
5 Bank Pertanian Malaysia	-	-	-	-	-	-	-	-		
6 Export-Import Bank of Malaysia Berhad	-	-	-	-	-	-	-	-		
7 Malaysia Building Society Berhad	-	-	-	-	-	-	-	-		
8 Malaysian Industrial Development Finance Berhad	-	-	-	-	-	-	-	-		
9 Sabah Development Bank Berhad	549.1	362.7	34%	9	549.1	362.7	34%	9		
	549.1	362.7	34%	9	549.1	362.7	34%	9	-	-
	8,106.0	3,153.4	61%	202	5,017.5	3,153.4	37%	198	11,621.8	632

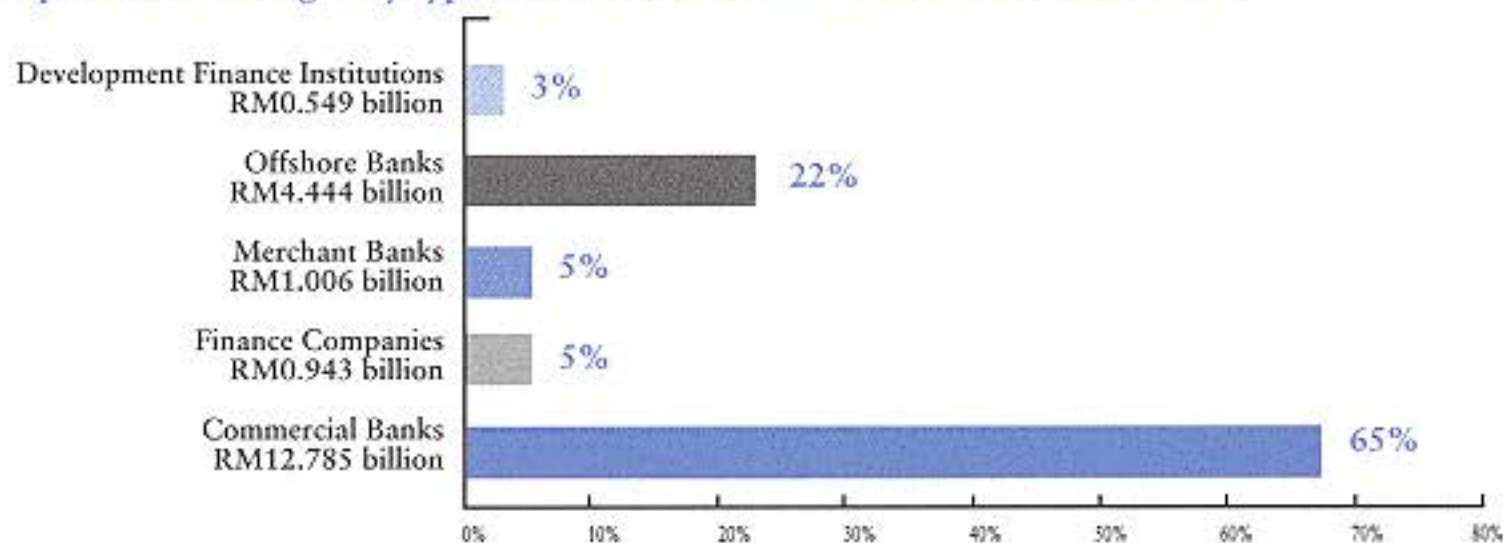
APPENDIX 1

Table B – NPLs by sector

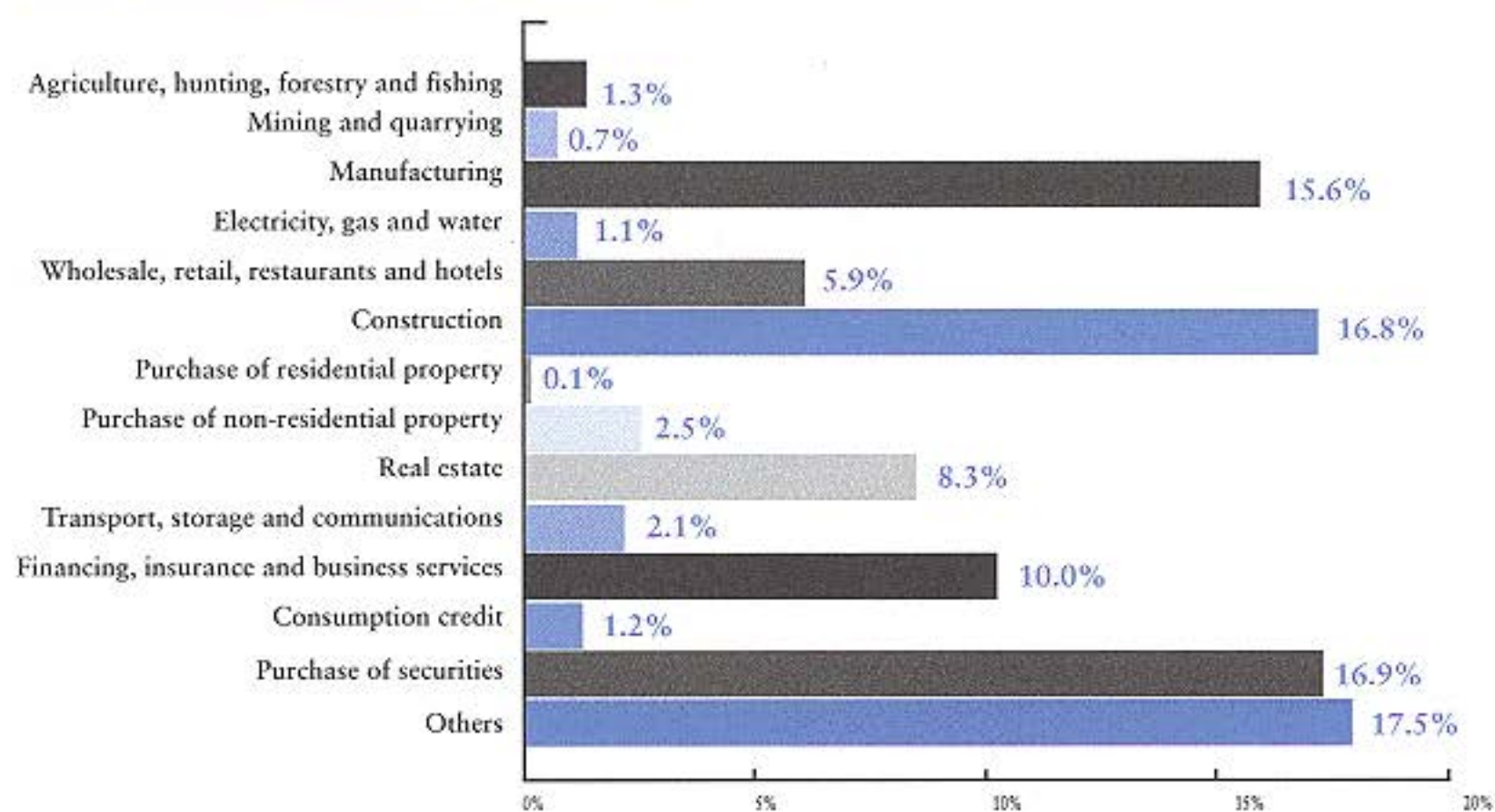
	<i>Acquired</i>				<i>Managed</i>		<i>Acquired and Managed</i>		<i>Acquired and Managed (excluding one large loan)</i>	
	<i>Loan Rights Acquired</i> RM million	<i>Fair Purchase Price</i>	<i>Weighted Average Discount</i>	<i>No of accounts</i>	<i>Loan Rights</i> RM million	<i>No of accounts</i>	<i>Loan Rights</i> RM million	<i>Percentage</i>	<i>Loan Rights</i> RM million	<i>Percentage</i>
Agriculture, hunting, forestry and fishing	172.9	162.4	6%	6	92.3	11	265.2	1.3%	265.2	1.6%
Mining and quarrying	-	-	-	-	135.3	5	135.3	0.7%	135.3	0.8%
Manufacturing	511.8	316.2	38%	39	2,567.6	144	3,079.4	15.6%	3,079.4	18.5%
Electricity, gas and water	8.9	3.9	56%	1	206.9	3	215.8	1.1%	215.8	1.3%
Wholesale, retail, restaurants and hotels	107.0	51.0	52%	12	1,056.4	100	1,163.4	5.9%	1,163.4	7.0%
Construction	1,721.2	1,235.0	28%	56	1,580.5	80	3,301.7	16.8%	3,301.7	19.8%
Purchase of residential property	-	-	-	-	15.9	3	15.9	0.1%	15.9	0.1%
Purchase of non-residential property	223.5	165.6	26%	15	276.4	32	499.9	2.5%	499.9	3.0%
Real Estate	928.0	655.2	29%	26	713.6	22	1,641.6	8.3%	1,641.6	9.9%
Transport, storage and communications	38.1	11.7	69%	2	384.7	18	422.8	2.1%	422.8	2.6%
Financing, insurance and business services	372.4	180.1	52%	23	1,593.3	76	1,965.7	10.0%	1,965.7	11.8%
Consumption credit	10.8	0.3	97%	1	217.8	35	228.6	1.2%	228.6	1.4%
Purchase of securities	719.6	303.4	58%	8	2,612.2	82	3,331.8	16.9%	3,331.8	20.0%
Purchase of transport vehicle	-	-	-	-	-	-	-	-	-	-
Others	3,291.8	68.6	98%	13	168.9	21	3,460.7	17.5%	372.2	2.2%
	8,106.0	3,153.4	61%	202	11,621.8	652	19,727.8	100.0%	16,639.2	100.0%

APPENDIX 2

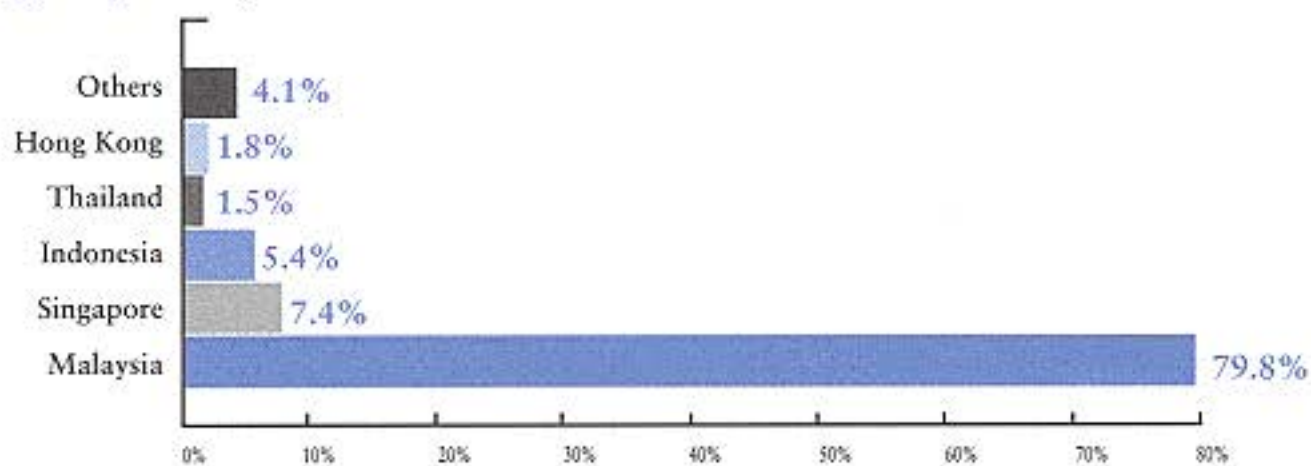
Total acquired and managed by type of financial institution as at 31 December 1998



Total acquired and managed by sector as at 31 December 1998



Total acquired and managed by country as at 31 December 1998



EXPLANATORY NOTES TO DANAHARTA'S ACQUISITION APPROACH

➤ Valuation and sale of NPLs

- Danaharta will purchase non-performing loans (NPLs) of RM5 million and above from the financial institutions (FIs) based on the following principles:

Scenario	Danaharta acquires at
FV > or = loan outstanding	Loan outstanding
FV > or = principal outstanding, but < loan outstanding	FV
FV < principal outstanding	Principal outstanding, but Danaharta pays up to FV Shortfall deferred until recovery

FV: Fair value, i.e. fair market value of the NPL as determined by Danaharta.

Loan outstanding: Principal outstanding plus normal interest outstanding, but excluding penalty and other charges.

- FIs which do not sell their NPLs to Danaharta are required to write down the value of the loans immediately to the forced sale value. The forced sale value is determined by applying a 20% discount to the market value as determined by Danaharta. These FIs will either restructure the loans on their own or refer them to the Corporate Debt Restructuring Committee.

➤ Profit sharing by FIs on recovery

- Upon the subsequent sale of the asset by Danaharta, any surplus over and above the acquisition price by Danaharta, will be shared between the FI and Danaharta on an 80:20 basis, after deducting Danaharta's cost of acquisition plus directly attributable costs. However, the FI's share of the upside will be limited to the shortfall value plus a holding cost of 8% per annum.

➤ Payment for NPLs

- Danaharta will issue Government guaranteed bonds to FIs as consideration for the purchase of NPLs. These bonds, which are tradeable, will be issued on a monthly basis with an initial tenor of five years and a roll-over option exercisable at Danaharta's discretion for up to another five years.

APPENDIX 3

- These will be zero coupon bonds with yields approximating those of Malaysian Government Securities with similar tenor. The bonds will be considered investment instruments. Since these bonds are Government guaranteed, they will carry zero risk weight for capital adequacy purposes. These bonds will be designated Class-1 assets under the new liquidity framework and will be eligible for rediscounting with BNM under the latter's role as lender of last resort.
- Under the bond issuance programme, Danaharta will issue up to RM15 billion in face value of zero coupon redeemable bonds. They will be issued progressively, the timing and size of which will be in line with Danaharta's acquisition process.
- Cash payments are made for acquisitions of NPLs from development finance institutions, loans extended under the Islamic concept and unsecured loans.

➤ Valuation methodologies

- Secured loans

Valuation of NPLs are based on the fair value of the collateral using the following valuation methodologies subject to a minimum value of 10% of the principal outstanding.

Properties

The fair value will be 95% of the market value of the property. The market value of the property will be determined by a group of independent professional valuers on Danaharta's panel. If the FI does not wish to sell its NPL to Danaharta, the FI is required to write down the value of the property in its books by 20% of the market value based on Danaharta's valuation.

Quoted shares

The fair value will depend on the characteristics of the company. A premium will be attached to larger stakes that offer influence or control over a public listed company. The fair value under various scenarios will be determined as follows:

Stake in company	Fair value
Less than 5%	Lower of MP and NTA
Between 5% and 33%	Average of MP and NTA
Above 33%	Higher of MP and NTA

MP: Lower of three-month weighted average price or closing price.

NTA: Adjusted net tangible assets based on the latest audited accounts of the company.

Unquoted shares

The fair value will be based on acceptable valuation techniques.

Specific large companies and infrastructure project companies

The fair value will be based on acceptable valuation techniques and will likely be subject to an independent due diligence audit. The approach will be unique to each individual company and may use price earnings multiple and discounted present value, among others.

- Unsecured loans

Danaharta pays 10% of the principal outstanding in respect of unsecured loans.

APPENDIX 4

GLOSSARY OF TERMS

General

NPL	Non-performing loan, i.e. a loan on which interest or principal repayments have been in arrears for six months.
Recovery value (of assets)	Eventual sale proceeds from assets acquired.
Distressed loan	Loan that is currently performing, but is likely to turn non-performing in the near future.
Gross value (of NPL)	Loan outstanding. This comprises principal outstanding and interest in suspense and is referred to as 'loan rights acquired' in Appendix 1.
Fair purchase price (of NPL)	Fair value, i.e. fair market value of the NPL as determined by Danaharta.
Discounts	Discounts on the gross value of the NPL. For example, a discount of 40% on an NPL with a gross value of RM100m means that Danaharta has acquired the NPL for RM60m.

Bonds

Nominal value	Face value of the bonds.
Present value	Value of the bonds after discounting the yield for a particular period of time, or five years in Danaharta's case.
Price	Present value of RM100 nominal value of bonds.
Yield	Inherent 'return' from an investment in the bonds. In Danaharta's case, the yield is similar to the yield on Malaysian Government Securities.

GLOSSARY OF TERMS

Assets acquired

Acquired and completed

Assets for which acquisition agreements have been signed.

Under management

Assets managed on behalf of Bank Negara Malaysia.

Others

Special Administrator

A company auditor or a person who has the requisite experience in the management and restructuring of an asset or a company. He or she is responsible for preparing a workout proposal for the management and restructuring of the asset or company.

Independent Advisor

An accounting firm, merchant bank or any firm that has the requisite experience in the management and restructuring of an asset or a company. The Independent Advisor's role is to review the reasonableness of the workout proposal prepared by the Special Administrator, taking into consideration the interests of all creditors (whether secured or unsecured) and shareholders.

Pengurusan Danaharta Nasional Berhad 464363W
10th Floor, Block B, Wisma Semantan
Jalan Gelengang, Bukit Damansara
50490 Kuala Lumpur

T 6 03 253 11 22

F 6 03 253 43 59

W www.danaharta.com.my