

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

If you have sold or transferred all your shares in Malaysian Resources Corporation Berhad, you should at once hand this Circular, together with the enclosed Form of Proxy, to the agent through whom you effected the sale or transfer for transmission to the purchaser or transferee.

The Notice convening an Extraordinary General Meeting of Malaysian Resources Corporation Berhad is enclosed with this Circular.

A Form of Proxy is enclosed which (if you are unable to attend) you are urged to complete and deposit at the office of Registrar of Malaysian Resources Corporation Berhad, Malaysian Share Registrar Services Sdn Bhd, 7th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur not less than forty-eight (48) hours on or before the date and time indicated below or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

The approval of the Securities Commission ("SC") for the proposal shall not be taken to indicate that the SC recommends the proposal. Shareholders should rely on their own evaluation to assess the merits and risk of the proposal

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**MALAYSIAN RESOURCES CORPORATION BERHAD**

(Company No.: 7994-D)

(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED DISPOSAL OF 105,127,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING 22.7% OF THE EXISTING ISSUED AND PAID-UP CAPITAL OF RASHID HUSSAIN BERHAD TO UTAMA BANKING GROUP BERHAD FOR A TOTAL CASH CONSIDERATION OF RM504,609,600**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

Adviser

**CIMB**

Commerce International Merchant Bankers Berhad

*Company Number 18417-M*

Last day and time for lodging of Form of Proxy	: Wednesday, 13 November 2002 at 10.00 a.m.
Date and time of Extraordinary General Meeting	: Friday, 15 November 2002 at 10.00 a.m.
Place of Extraordinary General Meeting	: Concorde II, Level 2, Concorde Hotel Shah Alam, No 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan

This Circular is dated 31 October 2002

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

“Act”	: Companies Act, 1965, as amended from time to time and any re-enactment thereof
“AGM”	: Annual General Meeting
“Bank Utama”	: Bank Utama (Malaysia) Berhad
“Bank Utama Acquisition”	: Acquisition by RHB Bank of 800,000,000 ordinary shares of RM1.00 each in Bank Utama, representing the entire issued and paid up capital of Bank Utama, from UBGB, pursuant to the sale and purchase agreement entered into on 20 March 2002 between CMS, UBGB, RHB and RHB Bank for an indicative purchase consideration based on 2.0 times the adjusted NTA value of Bank Utama as at the last day of the calendar month preceding the fulfilment of all conditions precedent, to be satisfied by RHB on behalf of RHB Bank through the issuance of new RHB Irredeemable Convertible Unsecured Loan Stocks-A with a coupon rate of 0.5% per annum and tenure of ten (10) years, new RHB Irredeemable Convertible Unsecured Loan Stocks-B with a coupon rate of 3.0% per annum and tenure of ten (10) years and cash to be determined at a later date. Based on the adjusted NTA of Bank Utama as at 31 December 2001, the indicative purchase consideration is RM1,567 million
“Board” or “Directors”	: Board of Directors of MRCB
“BNM”	: Bank Negara Malaysia
“Business Day”	: A day other than a Saturday on which banks are open for business in Kuala Lumpur and Sarawak
“CIMB”	: Commerce International Merchant Bankers Berhad
“CMS”	: Cahya Mata Sarawak Berhad
“Consideration”	: Being a total cash consideration of RM504,609,600 calculated on the basis of RM4.80 per RHB Sale Share, agreed to be paid by UBGB to MRCB in accordance with the SPA
“Completion Date”	: Either: (i) The date expiring fourteen (14) Business Days from the date of the SPA becoming unconditional (in the event that the completion of the Bank Utama Acquisition takes place prior to all of the approvals being obtained). Provided that if the Completion Date falls on a day that is not a Business Day, then on the following Business Day; or (ii) The date on which completion of the Bank Utama Acquisition takes place (in the event that all approvals have been obtained prior thereto)
“Cut-Off Date”	: The date expiring six (6) months from the date of the SPA with an automatic extension of another two (2) months thereafter in the event that the conditions precedent are not fulfilled at the expiry of the said six (6) months, or such extended date as MRCB and UBGB may mutually agree in writing. The SPA shall lapse in the event that the conditions precedent are still not fulfilled by the Cut-Off Date

## **DEFINITIONS (Cont'd)**

“Deposit”	: The sum of RM45,414,864 paid by UBGB to MRCB upon the execution of the SPA, together with the Earnest Sum. Upon completion of the SPA, the Deposit shall be deemed part payment towards the Consideration
“EGM”	: Extraordinary General Meeting
“Earnest Sum”	: The sum of RM5,046,096 paid by UBGB to MRCB pursuant to MRCB accepting the Offer Letter
“FIC”	: Foreign Investment Committee
“KLSE”	: Kuala Lumpur Stock Exchange
“KLSE Listing Requirements”	: Listing Requirements of KLSE
“Lenders”	: The various banks and financial institutions whose approvals or consent are required for the release and transfer of the RHB Sale Shares
“MOF”	: Minister of Finance
“MRCB” or the “Company”	: Malaysian Resources Corporation Berhad
“MRCB Group” or the “Group”	: MRCB and its subsidiaries
“MRCB Shares”	: Ordinary share(s) of RM1.00 each in MRCB
“NSTP”	: The New Straits Times Press (Malaysia) Berhad
“NTA”	: Net tangible assets
“Offer Letter”	: The offer letter dated 20 July 2001 from UBGB to MRCB and as supplemented by the letter dated 6 February 2002 in relation to the Proposed Disposal
“Proposed Disposal”	: Proposed disposal of 105,127,000 ordinary shares of RM1.00 each representing approximately 22.7% of the existing issued and paid-up capital of RHB by MRCB to UBGB for a total cash consideration of RM504,609,600
“Realmild”	: Realmild (M) Sdn Bhd
“RHB”	: Rashid Hussain Berhad
“RHB Bank”	: RHB Bank Berhad
“RHB Sale Shares”	: The 105,127,000 ordinary shares of RM1.00 each in RHB that MRCB owns and intends to sell to UBGB pursuant to the Proposed Disposal
“RHB Shares”	: Ordinary share(s) of RM1.00 each in RHB
“RM” and “sen”	: Ringgit Malaysia and sen respectively
“SC”	: Securities Commission
“SC Guidelines”	: Policies and Guidelines on Issue/Offer of Securities issued by the SC including any modifications or amendments thereto that may be made from time to time

## **DEFINITIONS (*Cont'd*)**

“SPA”	:	The conditional sale and purchase agreement dated 20 March 2002 entered into between MRCB and UBGB in relation to the Proposed Disposal
“TV3”	:	Sistem Televisyen Malaysia Berhad
“UBGB”	:	Utama Banking Group Berhad
“UBGB Group”	:	UBGB and its subsidiaries

Words denoting the singular number only shall include the plural and vice versa. Words denoting the masculine gender only shall include the feminine and neuter gender and vice versa.

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### **NOTICE OF EGM**

Enclosed

### **FORM OF PROXY**

Enclosed



**MALAYSIAN RESOURCES CORPORATION BERHAD**

*(Company No.: 7994-D)*

*(Incorporated in Malaysia under the Companies Act, 1965)*

**Registered Office:**

Level 10, Menara MRCB  
No. 2, Jalan Majlis 14/10  
Seksyen 14  
40000 Shah Alam  
Selangor Darul Ehsan

31 October 2002

**Board of Directors:**

Dato' Seri Syed Anwar Jamalullail (*Chairman*)  
Abdul Rahman Ahmad (*Group Managing Director/Chief Executive Officer*)  
Shahril Ridza Ridzuan (*Executive Director*)  
Datuk Zahari Omar (*Executive Vice President*)  
Dato' Ahmad Haji Ibnihajar  
Dato' Zainol Abidin Dato' Haji Salleh  
Dato' Dr. Mohd. Shahari Ahmad Jabar

To: The shareholders of Malaysian Resources Corporation Berhad

Dear Sir / Madam,

**PROPOSED DISPOSAL OF 105,127,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING 22.7% OF THE EXISTING ISSUED AND PAID-UP CAPITAL OF RHB TO UBGB FOR A TOTAL CASH CONSIDERATION OF RM504,609,600 ("PROPOSED DISPOSAL")**

**1. INTRODUCTION**

On 20 July 2001, MRCB announced that BNM through its letter dated 18 July 2001 had given its approval to MRCB to commence negotiations with UBGB with regard to the proposed disposal of its 22.7% equity interest in RHB.

On 25 July 2001, MRCB announced that they had accepted an offer from UBGB in relation to the proposed disposal of its 22.7% equity interest in RHB comprising 105,127,000 ordinary shares of RM1.00 each in RHB for a total cash consideration of RM399,482,600 or RM3.80 per RHB Sale Share. Subsequently, on 14 February 2002, MRCB announced that the purchase consideration had been revised to RM504,609,600 or RM4.80 per RHB Sale Share, with the agreement of UBGB pursuant to further negotiations.

On behalf of the Board, CIMB announced that on 20 March 2002, the Company had entered into a conditional SPA with UBGB for the sale of the RHB Sale Shares to UBGB for a total cash consideration of RM504,609,600.

On 10 October 2002, CIMB on behalf of the Board, announced that the SC had via its letter dated 9 October 2002 approved the Proposed Disposal subject to the following conditions:

- (i) Full disclosure of the basis for determining the disposal price in the circular to shareholders of MRCB;

- (ii) The approval of the SC is required for any change to the proposed utilisation of the proceeds from the Proposed Disposal as set out below:

	<b>RM million</b>
Repayment of bank borrowings	454.1
Working capital (including RM500,000 for estimated expenses)	50.5
Total	<u>504.6</u>

- (iii) Any extension of time for the said utilisation of the proceeds must be approved by a Board resolution and must be fully disclosed to the KLSE;
- (iv) Appropriate disclosure in relation to the status of the utilisation of proceeds from the Proposed Disposal must be made in the Quarterly Report and Annual Report of MRCB until the said proceeds are fully utilised; and
- (v) Full compliance with the provisions in relation to the implementation of the Proposed Disposal as stipulated under the SC Guidelines.

**Accordingly, the purpose of this Circular is to provide you with the details, rationale and financial effects of the Proposed Disposal and to seek your approval for the resolution to be tabled at the forthcoming EGM of the Company to give effect to the Proposed Disposal.**

**Shareholders are advised to read the contents of this Circular carefully before voting on the relevant resolution to approve the Proposed Disposal.**

## **2. DETAILS OF THE PROPOSED DISPOSAL**

MRCB has obtained the approval of the MOF for the Proposed Disposal via the letters from BNM dated 11 March 2002 and 12 March 2002. Pursuant to the receipt of the approval from the MOF through BNM, the Company has on 20 March 2002 entered into the SPA with UBGB for the sale of the RHB Sale Shares to UBGB for a total cash consideration of RM504,609,600.

### **2.1 Basis of arriving at Consideration**

The Consideration for the Proposed Disposal was arrived at on a willing-buyer willing-seller basis after taking into consideration the following:

- (i) the premium for the 22.7% equity interest in RHB which in turn will control among others the merged entity of RHB Bank and Bank Utama; and
- (ii) the prevailing market price of RM2.26 per RHB Share at the time of MRCB's acceptance of UBGB's revised offer on 6 February 2002.

The cash consideration of RM4.80 per RHB Share is at a premium of approximately 102.5% over the five (5) days weighted average market price of RHB Shares up to and including 5 February 2002 (being the last trading day prior to the date of the letter of offer from UBGB on 6 February 2002) of RM2.37 per RHB Share.

### **2.2 Salient terms of the SPA**

- Pursuant to the SPA entered into between MRCB and UBGB in relation to the Proposed Disposal, MRCB has agreed to sell and UBGB has agreed to purchase the RHB Sale Shares free from all liens, mortgages, charges and other encumbrances but with all rights attaching thereto as at the Completion Date at the Consideration and upon the terms and conditions of the SPA.

- The SPA is conditional upon the following approvals:
  - (i) the SC's approval for MRCB and UBGB;
  - (ii) the FIC's approval;
  - (iii) MRCB's lenders' approval, being the approval and consent required from the Lenders for the release and transfer of the RHB Sale Shares\* ("Lenders' Approval");
  - (iv) MRCB's shareholders' approval;
  - (v) UBGB's shareholders' approval; and
  - (vi) such other approvals from any public or regulatory authority as may be required.

(collectively known as "Approvals"),

and the completion of the sale and purchase agreement between CMS, UBGB, RHB and RHB Bank, in relation to the Bank Utama Acquisition which is expected to be completed in the fourth calendar quarter of 2002.

- UBGB shall be responsible for the approvals from the FIC, the SC and its shareholders.
- MRCB shall be responsible for the approvals from the SC, its shareholders and the Lenders.
- The SPA shall lapse in the event that on or before the Cut-Off Date:
  - (i) the Approvals are not obtained by either MRCB or UBGB; or
  - (ii) the approvals of the FIC, SC for MRCB and UBGB, or Lenders are not obtained or fulfilled (or the application to obtain the approvals of the FIC, SC for MRCB and UBGB, or Lenders being rejected) or are given upon terms and conditions not acceptable to any of the parties, or such terms and conditions have not been amended to the satisfaction of the party to whom such terms and conditions are not acceptable, or the parties failing to reach agreement on adjusted terms following negotiations and such negotiations are terminated in accordance with the terms of the SPA; or
  - (iii) the Bank Utama Acquisition has not been completed.

**Note:**

- \* *In January 2001, the RHB Sale Shares together with MRCB's holdings of 94,035,540 ordinary shares of RM1.00 each representing 43.5% equity interest in NSTP and 84,570,500 ordinary shares of RM1.00 each representing 49.6% equity interest in TV3 were pledged as security for facilities which were used to refinance loans originally taken to finance the acquisition of the RHB Sale Shares of RM1,142.6 million. The RHB Sale Shares were acquired via open market and off-market transactions as well as subscription of new shares between October 1996 and January 1998.*



- In the event the SPA lapses,
  - (i) the Deposit received is refundable to UBGB together with 8% interest per annum accruing from the date the SPA lapses until the date of payment;
  - (ii) MRCB may deal with the RHB Sale Shares in such manner as it deems fit; and
  - (iii) neither MRCB nor UBGB shall thereafter have any claims whatsoever against the other in respect of the SPA.

However, if the SPA lapses solely as a result of the approval of the shareholders of UBGB not being obtained, MRCB is entitled to forfeit the Deposit.

- The Consideration shall be paid by UBGB to MRCB in the following manner:
  - (i) **Earnest Sum**  
  
The sum of RM5,046,096 being one percent (1%) of the Consideration has been paid by UBGB to MRCB pursuant to MRCB accepting the Offer Letter. The Earnest Sum was paid in two instalments of RM3,994,826 and RM1,051,270 on 25 July 2001 and 15 February 2002 respectively;
  - (ii) **Deposit**  
  
The sum of RM45,414,864 being nine percent (9%) of the Consideration paid by UBGB to MRCB following the execution of the SPA, which together with the Earnest Sum makes up the Deposit. Upon the completion of the SPA, the Deposit shall be deemed as part payment towards the Consideration;
  - (iii) **Balance Sum**  
  
The sum of RM454,148,640 being the balance or ninety percent (90%) of the Consideration, shall be paid by UBGB on the Completion Date.

### 2.3 Cost of Investment

The original cost of MRCB's investment in RHB Sale Shares is approximately RM1,641.8 million which was transacted between October 1996 and January 1998. Based on the latest audited accounts for the financial year ended 31 August 2001, the carrying value of MRCB's investment in RHB Sale Shares is approximately RM270.0 million.

### 2.4 Proposed Utilisation of Proceeds from the Proposed Disposal

The details of the utilisation of the proceeds from the Proposed Disposal are set out below:

	RM million
Repayment of borrowings	454.1
Working capital	50.0
Estimated expenses	0.5
<b>Total</b>	<b>504.6</b>

An amount of approximately RM454.1 million of the proceeds from the Proposed Disposal will be utilised to repay a substantial part of the bank borrowings of MRCB at the holding company level. As at 30 September 2002, the total bank borrowings of MRCB and MRCB Group stood at approximately RM515.0 million and RM1,567.4 million, respectively. In relation thereto, the savings in interest payments arising from the repayment is estimated at approximately RM32 million per annum based on an average cost of finance of approximately seven percent (7%) per annum.

## 2.5 Liabilities assumed by UBGB pursuant to the Proposed Disposal

Under the SPA, there are no liabilities to be assumed by UBGB pursuant to the Proposed Disposal.

## 2.6 Information on UBGB

UBGB was incorporated in Malaysia on 22 May 1992 as a public company under the name of BUMB Holding Berhad. It assumed its present name on 18 October 1996. UBGB has been listed on the Main Board of KLSE since 8 August 1997. The present authorised share capital is RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each of which 682,759,946 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activity of UBGB is investment holding whilst its major subsidiaries are involved in commercial banking and merchant banking.

The directors and major shareholders of UBGB and their respective direct and indirect interest in UBGB as at 30 September 2002 are as follows:

Name	Direct		Indirect	
	No. of Shares held	% held	No. of Shares held	% held
<b>Directors</b>				
Dato' Paduka Nik Hashim bin Nik Yusoff	8,000	*	-	-
Tan Sri Dato Sri Temenggong Tai Sing Chii	2,113,588 <sup>1</sup>	0.31	2,890,000 <sup>2</sup>	0.42
Dato Sri Sulaiman Abdul Rahman Taib	-	-	353,895,000 <sup>3</sup>	51.83
Dato' Haji Mohamad Taha bin Ariffin	8,000	*	1,000 <sup>4</sup>	*
Datu Dr Haji Hatta bin Solhi	18,000	*	-	-
Vaseehar Hassan bin Abdul Razack	786,000	0.12	-	-
<b>Major Shareholders</b>				
Concordance Holdings Sdn Bhd	353,895,000	51.83	-	-
Kenyalang Utama Sdn Bhd	84,008,598	12.30	-	-
CMS	-	-	353,895,000 <sup>5</sup>	51.83
Datuk Haji Onn bin Mahmud	-	-	353,895,000 <sup>6</sup>	51.83
Dato Sri Sulaiman Abdul Rahman Taib	-	-	353,895,000 <sup>6</sup>	51.83
Haji Mahmud Abu Bekir Taib	-	-	353,895,000 <sup>6</sup>	51.83

### Notes:

1 Shares held through Mayban Nominees (T) Sdn Bhd.

2 Deemed interested by virtue of his directorship and substantial shareholdings in Tai Sing Chii & Sons Sdn Bhd.

- 3 *Deemed interested by virtue of his substantial shareholding in CMS. Concordance Holdings Sdn Bhd is a wholly-owned subsidiary of CMS.*
- 4 *Deemed interested by virtue of shares held by his spouse.*
- 5 *Deemed interested by virtue of its substantial shareholding in Concordance Holdings Sdn Bhd.*
- 6 *Deemed interested by virtue of their directorship and substantial shareholding in CMS. Concordance Holdings Sdn Bhd is a wholly-owned subsidiary of CMS.*
- \* *Negligible.*

Details of the subsidiaries and associated company of UBGB as at 30 September 2002 are as follows:

Name of company	Place and date of incorporation	Issued and paid-up capital RM	Effective Equity interests held %	Principal activities
<b><i>Subsidiaries</i></b>				
Bank Utama	26.05.1976 Malaysia	800,000,000	100.00	Commercial banking
Utama Merchant Bank Berhad	22.07.1975 Malaysia	223,000,000	85.10	Merchant banking
UBG Enterprise Bhd	10.01.1983 Malaysia	49,800,000	100.00	Dormant
UMB Nominees (Tempatan) Sdn Bhd	11.06.1977 Malaysia	10,000	85.10 <sup>1</sup>	Nominee services
UMB Nominees (Asing) Sdn Bhd	13.12.1993 Malaysia	10,000	85.10 <sup>1</sup>	Nominee services
UMB Venture Capital Sdn Bhd	09.07.1994 Malaysia	4	85.10 <sup>1</sup>	Dormant
U.B. Nominees (Tempatan) Sdn Bhd	20.02.1984 Malaysia	10,000	100.00 <sup>2</sup>	Nominee services
Utama Assets Sdn Bhd	22.04.1983 Malaysia	2,300,000	100.00 <sup>2</sup>	Property ownership and management
<b><i>Associated Company</i></b>				
CMS Trust Management Berhad	02.08.1995 Malaysia	6,765,300	49.00 <sup>2</sup>	Management of unit trust funds

***Notes:***

- 1 *Held through Utama Merchant Bank Berhad.*
- 2 *Held through Bank Utama.*

## **2.7 Information on RHB**

RHB was incorporated in Malaysia on 6 August 1987 in Malaysia under the Act as a private limited company under the name of Rashid Hussain Futures Sdn Bhd. On 30 June 1988, its name was changed to Rashid Hussain Sdn Bhd. It was converted into a public limited company on 22 September 1988 and was listed on the Main Board of the KLSE on 19 December 1988.

RHB is principally an investment holding company and its major subsidiaries are involved in commercial banking, merchant banking, offshore banking, offshore trust services, finance company business, general insurance, leasing, unit trust management, property investment and management and the securities and asset management businesses.

The audited consolidated loss after taxation and net tangible liabilities of RHB based on its latest audited accounts as at 30 June 2002 are RM269.6 million and RM1,547.6 million respectively.

Further information on RHB is set out in Appendix II of this Circular.

## **3. RATIONALE FOR THE PROPOSED DISPOSAL**

The Proposed Disposal is part of MRCB's on-going exercise to divest assets not considered to be core businesses of the Group. This would allow the Group to focus its resources on its core activities namely, construction and engineering, property development, media and multimedia.

The Proposed Disposal is expected to generate cash proceeds of approximately RM504.6 million, which is proposed to be utilised in the manner set out in Section 2.4 above.

## **4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

### **4.1 Share Capital**

The Proposed Disposal will not have any effect on the issued and paid-up share capital of MRCB as it is a cash disposal.

### **4.2 Earnings**

The Proposed Disposal is expected to be completed in the financial year ending 31 August 2003. Based on the book value of MRCB's investment in RHB as at 31 August 2001, the Proposed Disposal is expected to result in a gain on disposal of investment of approximately RM207.2 million and RM234.1 million at the Company and Group level respectively for the financial year ending 31 August 2003. For illustrative purposes, based on the existing issued and paid-up share capital of MRCB and the book value of MRCB's investment in RHB as at 31 August 2001, the gain per share is RM0.21. Further, upon the completion of the Proposed Disposal, the repayment of bank borrowings from the proceeds would result in interest savings to the Company.

#### 4.3 NTA and Gearing

Based on the audited consolidated accounts of MRCB Group as at 31 August 2001, the proforma effect of the Proposed Disposal on the NTA per share and gearing of the MRCB Group, which is provided for illustrative purposes assuming that the Proposed Disposal was effected on that date, is set out in below:

		(I) After the disposal of equity interest in Commerce Asset-Holding Berhad <sup>1</sup>	(II) After (I) and the disposal of equity interest in Sepang Power Sdn Bhd <sup>2</sup>	(III) After (II) and the Proposed Disposal
	Audited as at 31 August 2001 RM000	RM000	RM000	RM000
Share capital	976,550	976,550	976,550	976,550
Share premium reserve	1,008,463	1,008,463	1,008,463	1,008,463
Reserves	86,973	49,436	49,436	790
Accumulated Losses	(1,598,872)	(1,393,943)	(1,205,105)	(922,349)
Shareholders' funds	473,114	640,506	829,344	1,063,454
Less:				
Goodwill on consolidation	(8,944)	(8,944)	(8,944)	(8,944)
Intangible assets	(8,549)	(8,549)	-	-
Premium on acquisition of associates	(133,179)	(133,179)	(133,179)	(80,956)
Share of intangible assets in associates	(271,975)	(271,975)	(271,975)	(1,975)
NTA	50,467	217,859	415,246	971,579
NTA per share (RM)	0.05	0.22	0.42	0.99
Total borrowings (RM million)	1,821.0	1,821.0	1,657.1	1,203.0
Gearing ratio (times)	3.8	2.8	2.0	1.1

##### Notes:

1. Disposal by Pitisan Sdn Bhd, a wholly-owned subsidiary of NSTP of a total of 146,900,000 ordinary shares of RM1.00 each in Commerce Asset-Holding Berhad ("CAHB") in two tranches.

Tranche 1 of the disposal via off-market transactions of 6,900,000 ordinary shares of RM1.00 each representing 0.58% equity interest in CAHB for a cash consideration of RM44.9 million was completed in October 2001.

Tranche 2 of the disposal to Employees Provident Fund Board of 140,000,000 ordinary shares of RM1.00 each representing 11.82% equity interest in CAHB for a cash consideration of RM910 million was completed on 2 April 2002.

2. Disposal of 700,000 ordinary shares of RM1.00 each representing 70% equity interest in Sepang Power Sdn Bhd by MRCB to Tenaga Nasional Bhd for a cash consideration of RM115.0 million and the compensation of RM67.0 million for work done, termination costs and release of Sepang Power Sdn Bhd's obligation with MRCB Group. The disposal was completed on 20 May 2002.

#### 4.4 Major Shareholders' Shareholding

The Proposed Disposal will not have any effect on the major shareholders' shareholdings in MRCB as it is a cash disposal.

## 5. APPROVALS REQUIRED

The Proposed Disposal is subject to approvals being obtained from the following parties:

- (i) the SC which was obtained on 9 October 2002. The approval from the SC is subject to the following conditions:
  - (a) Full disclosure of the basis for determining the disposal price in the circular to shareholders of MRCB;
  - (b) The approval of the SC is required for any change to the proposed utilisation of the proceeds from the Proposed Disposal as set out below:

	<b>RM million</b>
Repayment of bank borrowings	454.1
Working capital (including RM500,000 for estimated expenses)	50.5
<b>Total</b>	<b>504.6</b>

- (c) Any extension of time for the said utilisation of the proceeds must be approved by a Board resolution and must be fully disclosed to the KLSE;
  - (d) Appropriate disclosure in relation to the status of the utilisation of proceeds from the Proposed Disposal must be made in the Quarterly Report and Annual Report of MRCB until the said proceeds are fully utilised; and
  - (e) Full compliance with the provisions in relation to the implementation of the Proposed Disposal as stipulated under the SC Guidelines.
- (ii) the Lenders;
- (iii) the MOF and BNM which were obtained via BNM's letters dated 11 March 2002 and 12 March 2002 respectively. The approval of MOF is subject to the following conditions:
  - (a) the approval of other relevant authorities; and
  - (b) the completion of the SPA is subject to the completion of the sale and purchase agreement between UBGB and CMS with RHB and RHB Bank with respect to the merger between RHB Bank and Bank Utama.
- (iv) the approval of the shareholders of MRCB at the forthcoming EGM to be convened; and
- (v) the approval of the shareholders of UBGB which was obtained on 15 October 2002.

The Proposed Disposal is conditional upon the completion of the Bank Utama Acquisition but not vice versa. As at the date of this Circular, the Bank Utama Acquisition has not been completed.

## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors of MRCB, major shareholders of MRCB and person(s) connected to the Directors and major shareholders of MRCB have any interest, directly or indirectly in the Proposed Disposal.

Datuk Zahari Omar and Encik Shahril Ridza Ridzuan (directors of MRCB) are nominee directors of MRCB to the Board of RHB, and as such they are deemed interested in the Bank Utama Acquisition as the Proposed Disposal is conditional upon the completion of the Bank Utama Acquisition. Hence, they have and will also continue to abstain from all voting pertaining to the Bank Utama Acquisition at the relevant RHB Board meetings. Save as disclosed above, none of the Directors or major shareholders of MRCB or persons connected to them is interested in the Bank Utama Acquisition.

Save for the 225,000 and 250,000 options granted to Datuk Zahari Omar and Encik Shahril Ridza Ridzuan respectively pursuant to the employees' share option scheme of MRCB, they do not have any shareholdings, direct or indirect in MRCB, RHB and UBGB.

## **7. DIRECTORS' RECOMMENDATION**

The Board of Directors of MRCB, having considered all aspects of the Proposed Disposal, is of the opinion that the terms and conditions of the Proposed Disposal are fair and reasonable and are in the best interests of the Company.

Accordingly, the Board of Directors of MRCB, recommend that you vote in favour of the resolution for the Proposed Disposal to be tabled at the forthcoming EGM of the Company.

## **8. ESTIMATED TIME FRAME FOR THE COMPLETION OF THE PROPOSED DISPOSAL**

Barring any unforeseen circumstances, and subject to the receipt of the necessary approvals, the Proposed Disposal is expected to be completed in the fourth calendar quarter of the year 2002.

## **9. EGM**

An EGM, the notice of which is enclosed in this Circular, will be held at the Concorde II, Level 2, Concorde Hotel Shah Alam, No 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Friday, 15 November 2002 at 10.00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed Disposal.

If you are unable to attend or vote in person at the EGM, you may appoint a proxy by executing the enclosed Form of Proxy in accordance with the instructions printed thereon as soon as possible to be deposited at the Registrar of the Company, Malaysian Share Registrar Services Sdn Bhd, 7th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for convening the EGM.

The completion, signing and return of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

## **10. FURTHER INFORMATION**

Shareholders are advised to refer to the attached appendices contained in this Circular for further information.

Yours faithfully  
For and behalf of the Board of Directors of  
**MALAYSIAN RESOURCES CORPORATION BERHAD**

**Dato' Seri Syed Anwar Jamalullail**  
(Chairman)

## INFORMATION ON MRCB

## 1. Name of Company

Malaysian Resources Corporation Berhad (Company No. 7994-D)

## 2. History, Date and Place of Incorporation

MRCB was incorporated in Malaysia as a private limited company under the Act, on 21 August 1968 under the name of Perak Carbide Corporation Sendirian Berhad. Subsequently, the Company was converted to a public company on 28 June 1969 under the name of Perak Carbide Corporation Berhad and was subsequently listed on the Main Board of the KLSE on 22 March 1971. The Company assumed its present name on 12 October 1981.

## 3. Principal Activities

MRCB is principally an investment holding company. The principal activities of MRCB's subsidiaries are engineering and construction, property development, multimedia and information technology services. MRCB's associated companies are principally engaged in newspaper publishing, television broadcasting and financial services. The principal activities of the subsidiaries and associated companies of MRCB are set out in Section 7 of this appendix.

## 4. Share Capital

The authorised, issued and fully paid-up share capital of MRCB as at 30 September 2002 are as follows:

	RM
<b>Authorised</b>	
2,000,000,000 shares of RM1.00 each	<u>2,000,000,000</u>
<b>Issued and paid-up</b>	
976,549,499 ordinary shares of RM1.00 each	<u>976,549,499</u>

Details of changes in the issued and paid-up share capital of MRCB since the date of incorporation are as follows:

Date of allotment	No. of MRCB Shares issued	Par value RM	Consideration	Resultant total RM
Up to 31.12.1979	7,200,000	1.00	Cash	7,200,000
22.12.1980	1,350,000	1.00	Issued at RM1.00 per share for the acquisition of Jarcon Sendirian Berhad (subsequently known as MRCB Telecommunication Sdn Bhd)	8,550,000



<b>Date of allotment</b>	<b>No. of MRCB Shares issued</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Resultant total RM</b>
	1,500,000	1.00	Issued at RM1.00 per share for the acquisition of Seri Teratai Properties Sdn Bhd (now known as Seri Iskandar Development Corporation Sdn Bhd)	10,050,000
	1,250,000	1.00	Issued at RM1.00 per share for the acquisition of Syarikat Pembangunan Jayabaru Sdn Bhd	11,300,000
	2,800,000	1.00	Issued at RM1.00 per share for the acquisition of Gilden Developments Sdn Bhd (now known as MRCB Prasarana Sdn Bhd)	14,100,000
06.07.1981	4,000,000	1.00	Issued at RM1.50 per share for the acquisition of Selima Properties Sdn Bhd (now known as MRCB Property Management Sdn Bhd)	18,100,000
	1,435,000	1.00	Issued at RM1.50 per share for the acquisition of K.Y.W. Enterprises Sdn Bhd (now known as MRCB Property Development Sdn Bhd)	19,535,000
	4,208,000	1.00	Issued at RM1.50 per share for the acquisition of Gunung Petaling Sdn Bhd	23,743,000
	1,101,000	1.00	Issued at RM1.50 per share for the acquisition of Golden East Corporation Sdn Bhd	24,844,000
	2,000,000	1.00	Issued at RM1.50 per share for the purchase of Lot 15740 from Aun Seng Sdn Bhd	26,844,000
04.05.1982	16,000,000	1.00	Issued at RM2.00 per share for the acquisition of Insajaya Sdn Bhd (now known as Malaysian Resources Development Sdn Bhd)	42,844,000
	3,000,000	1.00	Issued at RM2.00 per share for the acquisition of Kison Holdings Sdn Bhd (now known as MRCB Project Management Sdn Bhd)	45,844,000
	2,000,000	1.00	Issued at RM2.00 per share for the purchase of Lots 3095 & 3096 from Lesco Sdn Bhd	47,844,000
05.07.1982	6,100,000	1.00	Special Bumiputera Issue at RM1.50 per share	53,944,000
24.08.1982	1,000,000	1.00	Special Bumiputera Issue at RM1.50 per share	54,944,000
10.09.1982	400,000	1.00	Special Bumiputera Issue at RM1.50 per share	55,344,000
11.10.1983	13,997,633	1.00	Issue at RM1.50 per share for the acquisition of Superview Development Sdn Bhd	69,341,633
09.11.1983	23,113,877	1.00	Bonus Issue on the basis of one (1) new ordinary share for every three (3) existing ordinary shares held	92,455,510
20.12.1983	23,113,877	1.00	Rights Issue on the basis of one (1) new ordinary share for every four (4) existing ordinary shares held at an issue price of RM1.50 per share	115,569,387
03.05.1984		0.50	Subdivision of every RM1.00 ordinary share into two (2) new ordinary shares of 50 sen each	115,569,387

<b>Date of allotment</b>	<b>No. of MRCB Shares issued</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Resultant total RM</b>
02.10.1984 to 15.10.1984	23,400,000	0.50	Special Bumiputera Issue at RM0.90 per share	127,269,387
31.10.1984	150,000	0.50	Special Bumiputera Issue at RM0.90 per share	127,344,387
27.12.1984	2,662,000	0.50	Special Bumiputera Issuc at RM0.90 per share	128,675,387
07.07.1989			Reduction of 50 sen ordinary shares to 20 sen ordinary shares and consolidation of five (5) ordinary shares of 20 sen each into one (1) new ordinary share of RM1.00	51,470,155
07.07.1989	144,484,100	1.00	Issue of new ordinary shares of RM1.00 each for RM1.00 per share to Group creditors pursuant to Composite Schemes of Arrangement under Section 176 of the Act	195,954,255
21.02.1992			Reduction of RM1.00 ordinary shares to 60 sen ordinary shares and consolidation of five (5) ordinary shares of 60 sen each into three (3) new ordinary shares of RM1.00 each	117,572,553
20.03.1992	100,000,000	1.00	Issue at RM1.00 per share of new ordinary shares pursuant to Debt-Equity Conversion Scheme	217,572,553
18.05.1993	220,606,862	1.00	Issue at RM1.60 per share of new ordinary shares of RM1.00 each to Realmild, entitled shareholders and new investors pursuant to the Restricted Offer for Sale	438,179,415
12.06.1993	54,393,138	1.00	Issue at RM1.60 per share of new ordinary shares of RM1.00 each to Realmild, entitled shareholders and new investors pursuant to the Restricted Offer for Sale	492,572,553
09.07.1993 to 28.08.1996	6,375,479	1.00	Issue at RM2.00 per share of new ordinary shares pursuant to the exercise of the Transferable Subscription Rights	498,948,032
29.08.1996 to 31.08.1996	29,000	1.00	Issue of new ordinary shares pursuant to the exercise of the Employees' Share Option Scheme	498,977,032
01.09.1996 to 01.08.1997	84,314,379	1.00	Issue of new ordinary shares pursuant to the Employees' Share Option Scheme and Transferable Subscription Rights	583,291,411
05.05.1997	130,600,825	1.00	Issued at RM8.00 per share for the Acquisition of Rashid Hussain Berhad	713,892,236
09.05.1997	8,427,389	1.00	Issue of new ordinary shares pursuant to the Employees' Share Option Scheme and Transferable Subscription Rights	722,319,625
03.09.1997	240,773,207	1.00	Bonus Issue on the basis of one (1) new ordinary share for every three (3) existing ordinary shares held	963,092,832

Date of allotment	No. of MRCB Shares issued	Par value RM	Consideration	Resultant total RM
01.11.1998 to 02.04.2001	13,456,667	1.00	Issue of new ordinary shares pursuant to the Employees' Share Option Scheme	976,549,499

## 5. Substantial Shareholders

The substantial shareholders' shareholding of MRCB based on the Register of Substantial Shareholders as at 30 September 2002 are as follows:

Shareholders	Direct		Indirect		Nationality/ Country of Incorporation
	No. of shares held	% held	No. of shares held	% held	
Realmild	244,857,156 <sup>1</sup>	25.07	-	-	Malaysia
Dato' Seri Syed Anwar Jamalullail	-	-	244,857,156 <sup>2</sup>	25.07	Malaysian
Employees Provident Fund ("EPF")	118,168,333	12.10	-	-	Malaysia

### Notes:

1 Held through nominee company.

2 By virtue of his substantial shareholding in Realmild.

## 6. Board of Directors

The Directors of MRCB, and their shareholdings in MRCB as at 30 September 2002 are as follows:

Name	Direct		Indirect		Nationality
	No. of shares held	% held	No. of shares held	% held	
Dato' Seri Syed Anwar Jamalullail	-	-	244,857,156 <sup>1</sup>	25.07	Malaysian
Abdul Rahman Ahmad <sup>2</sup>	-	-	-	-	Malaysian
Shahril Ridza Ridzuan <sup>3</sup>	-	-	-	-	Malaysian
Datuk Zahari Omar <sup>4</sup>	-	-	-	-	Malaysian
Dato' Ahmad Haji Ibnihajar	-	-	-	-	Malaysian
Dato' Zainol Abidin Dato' Haji Salleh	-	-	-	-	Malaysian
Dato' Dr. Mohd. Shahari Ahmad Jabar	-	-	-	-	Malaysian

### Notes:

1 By virtue of his substantial shareholding in Realmild.

2 250,000 options have been granted to Abdul Rahman Ahmad pursuant to the employees' share option scheme of MRCB.

3 250,000 options have been granted to Shahril Ridza Ridzuan pursuant to the employees' share option scheme of MRCB.

4 225,000 options have been granted to Datuk Zahari Omar pursuant to the employees' share option scheme of MRCB.

## 7. Subsidiaries and Associated Companies

Details of the subsidiaries and associated companies of MRCB as at 30 September 2002 are as follows:

Name	Date and place of incorporation	Issued and paid-up share capital RM	Effective equity interest held %	Principal Activities
Milmix Sdn Bhd ( <i>formerly known as MRCB Construction Sdn Bhd</i> )	17.12.91 Malaysia	8,000,000	100.00	Civil and infrastructure building contractor
Onesentral Park Sdn Bhd	13.02.96 Malaysia	500,000	51.00	Property development
MRCB Land Sdn Bhd	09.09.80 Malaysia	300,003	100.00	Property management and development services
Kuala Lumpur Sentral Sdn Bhd	07.11.94 Malaysia	50,000,001	64.38	Investment holding and property development
<b><i>Wholly-owned subsidiary of Kuala Lumpur Sentral Sdn Bhd</i></b>				
• Unity Portfolio Sdn Bhd	14.03.97 Malaysia	2	64.38	Dormant
Mafira Holdings Sdn Bhd	30.09.81 Malaysia	3,000,000	100.00	Investment holding
<b><i>38.6% associated company of Mafira Holdings Sdn Bhd</i></b>				
• Zen Concrete Industries Sdn Bhd	08.03.82 Malaysia	7,000,000	38.60	Manufacture of prestressed spun concrete poles
MR Enterprises Sdn Bhd	04.05.82 Malaysia	136,963,713 ordinary shares @ RM0.76 2 ordinary shares @ RM1.00	100.00	Dormant
MR Management Sdn Bhd	04.05.82 Malaysia	2	100.00	Dormant
MRCB Dotcom Sdn Bhd	22.02.82 Malaysia	200,000	100.00	Planning and management services
Semasa Sentral Sdn Bhd	04.05.82 Malaysia	5,000,000	100.00	Operation, management and maintenance of the Kuala Lumpur Sentral railway station
Malaysian Resources Sentral Sdn Bhd	15.08.00 Malaysia	2	100.00	Provision of facility management
MRCB Trading Sdn Bhd	07.06.82 Malaysia	500,002	100.00	Dormant

Name	Date and place of incorporation	Issued and paid-up share capital RM	Effective equity interest held %	Principal Activities
MR Securities Sdn Bhd	16.07.82 Malaysia	2	100.00	Dormant
<i>Wholly-owned subsidiary of MR Securities Sdn Bhd</i>				
• Bintara Guard Force Security Sdn Bhd	15.05.00 Malaysia	100,000	100	Security and private investigation services
MRCB Ceramics Sdn Bhd	04.05.82 Malaysia	26,000,000	75.00	Dormant
MRCB Engineering Sdn Bhd	27.02.82 Malaysia	800,000	100.00	Provision of engineering services and construction
MRCB Prasarana Sdn Bhd (formerly known as Sepang Energy Resources Sdn Bhd)	23.01.78 Malaysia	2,800,000	100.00	Dormant
MRCB Project Management Sdn Bhd	11.08.78 Malaysia	1,000,010	100.00	Project management and engineering related services
MRCB Selborn Corporation Sdn Bhd	14.11.90 Malaysia	22,000,000 (comprising 20,000,000 ordinary shares @ RM1.00 each and 20,000,000 Redeemable Convertible Cumulative Preference Shares @ 10 sen each)	60.00 (of the ordinary shares)  64.00 (of the RCCPS)	Property development
Malaysian Resources Technology Sdn Bhd	08.12.95 Malaysia	2	100.00	Dormant
Region Resources Sdn Bhd	25.04.83 Malaysia	1,800,000	80.00	Dormant
<i>Wholly-owned subsidiary of Region Resources Sdn Bhd</i>				
• Syarikat Gemilang Quarry Sdn Bhd	26.10.94 Malaysia	100,004	80.00	Dormant
MRCB Property Management Sdn Bhd	03.07.73 Malaysia	1,775,900	100.00	Property investment and management
Trans Peninsula Crude Oil Transaction Sdn Bhd	28.11.95 Malaysia	2	100.00	Dormant
Superview Development Sdn Bhd	27.12.79 Malaysia	14,000,000	100.00	Property development, management and shares trading
Malaysian Resources Development Sdn Bhd	22.01.76 Malaysia	44,000,000	100.00	Property development and investment holding

Name	Date and place of incorporation	Issued and paid-up share capital RM	Effective equity interest held %	Principal Activities
<b><i>Wholly-owned subsidiaries of Malaysian Resources Development Sdn Bhd</i></b>				
• Bitar Enterprise Sdn Bhd	14.02.69 Malaysia	818,496	100.00	Dormant
• Golden East Corporation Sdn Bhd	27.09.77 Malaysia	681,284	100.00	Property development and management
• MR Properties Sdn Bhd	19.05.82 Malaysia	2	100.00	Dormant
• Seri Iskandar Utilities Corporation Sdn Bhd	06.12.95 Malaysia	2	100.00	Dormant
• Sunrise Properties Sdn Bhd	14.08.81 Malaysia	1,000,000	100.00	Property development
• Taiyee Development Sdn Bhd	15.04.81 Malaysia	6,000,000	100.00	Dormant
• MRCB Property Development Sdn Bhd	23.05.79 Malaysia	1,250,002	100.00	Investment holding
<b><i>Wholly-owned subsidiary of MRCB Property Development Sdn Bhd</i></b>				
• MRCB Cahaya Mutiara Sdn Bhd	28.08.81 Malaysia	300,002	100.00	Property development
<b><i>70% owned subsidiaries of Malaysian Resources Development Sdn Bhd</i></b>				
• Seri Iskandar Development Corporation Sdn Bhd	03.04.78 Malaysia	5,000,000	70.00	Property development
• Seri Ipoh-Lumut Expressway Sdn Bhd	12.09.95 Malaysia	15,000,000	70.00	Pre-operating
Transmission Technology Sdn Bhd	07.06.82 Malaysia	3,000,000	55.00	Engineering, construction and commissioning of transmission lines and substations
MR Construction Sdn Bhd	29.04.82 Malaysia	500,002	51.00	Dormant
MR-H Piling and Civil Engineering (M) Sdn Bhd	27.01.83 Malaysia	500,002	51.00	Dormant
MRCB Utama Sdn Bhd	12.05.83 Malaysia	15,000,000	100.00	Property development

Name	Date and place of incorporation	Issued and paid-up share capital RM	Effective equity interest held %	Principal Activities
<b><i>Wholly-owned subsidiary of MRCB Utama Sdn Bhd</i></b>				
• Country Annexe Sdn Bhd	16.07.97 Malaysia	2	100.00	Dormant
Cheq Point (M) Sdn Bhd	26.08.83 Malaysia	5,000,000	74.79	Dormant
Zelleco (M) Sdn Bhd	05.06.84 Malaysia	8,000,000	70.00	Investment holding and contractor of civil and structural works
<b><i>Wholly-owned subsidiary of Zelleco (M) Sdn Bhd</i></b>				
• Zelleco Engineering Sdn Bhd	29.09.93 Malaysia	2,500,000	70.00	Fabrication of structural steelworks
<b><i>75% owned subsidiary of Zelleco (M) Sdn Bhd</i></b>				
• Zelleco Construction Sdn Bhd	11.05.93 Malaysia	4,000,002	52.50	Contractor of civil and structural works
<b><i>50% owned subsidiary of Zelleco Construction Sdn Bhd</i></b>				
• Pembangunan Sulaiman Zelleco JV Sdn Bhd	10.01.96 Malaysia	5,000	26.25	Contractor of civil and structural works
MRCB Multimedia Consortium Sdn Bhd	19.08.97 Malaysia	10,000,000 (comprising 5,000,000 ordinary shares and 5,000,000 Redeemable Cumulative Preference Shares)	71.48 100.00	Designing, developing and implementing various applications relating to Multimedia Super Corridor technologies and applications
MRCB Intelligent Systems and Control Sdn Bhd	05.02.98 Malaysia	150,000	100.00	Dormant
MRCB Oil & Gas Technical Services Sdn Bhd	05.02.98 Malaysia	2	100.00	Dormant
MRCB (Terengganu) Sdn Bhd	06.08.97 Malaysia	2	100.00	Dormant
MRCB Smart Sdn Bhd	20.03.98 Malaysia	250,000	100.00	Dormant
MRC Management (BVI) Ltd	17.09.92 British Virgin Island	US\$12,500	100.00	Investment trading
Malaysian Resources International Sdn Bhd	03.04.96 Malaysia	2	100.00	Investment holding

Name	Date and place of incorporation	Issued and paid-up share capital RM	Effective equity interest held %	Principal Activities
<i>Wholly-owned subsidiary of Malaysian Resources International Sdn Bhd</i>				
• MRCB Mauritius Limited	11.04.00 Mauritius	US\$2	100.00	Investment holding
<i>Wholly-owned subsidiary of MRCB Mauritius Limited</i>				
• Novelway Investment (Pty) Ltd	22.01.96 South Africa	SAR100	100.00	Investment holding and property development
MR Investments (Cayman) Pte Ltd	21.03.97 Cayman Island	US\$1,000	100.00	Investment holding
MRCB Software Vision Sdn Bhd	14.11.2000 Malaysia	100,000	100.00	Information technology services and professional outsourcing
Multimedia Base Sdn Bhd	27.11.00 Malaysia	2	100.00	Dormant
Netcelerator (M) Sdn Bhd	27.11.00 Malaysia	2	100.00	Dormant
Media Prima Berhad (formerly known as Profitunc Berhad)	27.11.00 Malaysia	300,000	100.00	Investment holding
Estroman Sdn Bhd	27.11.00 Malaysia	2	100.00	Dormant
Amirijaya Sdn Bhd	23.11.00 Malaysia	2	100.00	Dormant
Digiwill Sdn Bhd	14.11.00 Malaysia	2	100.00	Dormant
Sibexlink Sdn Bhd	13.02.96 Malaysia	8,550,000	59.65	Sales of business information to subscribers and website development service

Details of the associated companies of MRCB as at 30 September 2002 are as follows:

Name	Date and place of incorporation	Issued and paid-up share capital RM	Effective equity interest held %	Principal Activities
NSTP	20.12.61 Malaysia	216,137,504	43.51	Publishing and sale of newspapers and investment holding
TV3	15.09.83 Malaysia	170,318,012	49.65	Commercial television broadcasting



<b>Name</b>	<b>Date and place of incorporation</b>	<b>Issued and paid-up share capital RM</b>	<b>Effective equity interest held %</b>	<b>Principal Activities</b>
Rashid Hussain Berhad	06.08.87 Malaysia	463,646,102	22.67	Investment holding, financial services and property
Kota Francais (M) Sdn Bhd	26.04.1997 Malaysia	791,664	20.00	Franchising, property management and consultancy
Harmonic Fairway Sdn Bhd	12.03.97 Malaysia	4	50.00	Investment holding
<b><i>Wholly-owned subsidiary of Harmonic Fairway Sdn Bhd</i></b>				
• Promising Quality Sdn Bhd	13.03.97 Malaysia	4	50.00	Dormant
<b><i>Wholly-owned subsidiaries of Promising Quality Sdn Bhd</i></b>				
• Colossus Harvest Sdn Bhd	13.03.97 Malaysia	2	50.00	Dormant
• Gallant Horizon Sdn Bhd	14.03.97 Malaysia	2	50.00	Dormant
• Perpetual Morning Sdn Bhd	08.03.97 Malaysia	2	50.00	Dormant
• Rainbow Precious Sdn Bhd	13.03.97 Malaysia	2	50.00	Dormant
• Pinnacle Might Sdn Bhd	16.03.99 Malaysia	2	50.00	Dormant
• Fine Calibre Sdn Bhd	17.03.99 Malaysia	2	50.00	Dormant

## 8. Profit and Dividend Record

The following is a summary of the audited consolidated financial results of MRCB for the past five (5) financial years ended 31 August 2001 and the unaudited consolidated financial results of MRCB for the nine (9)-month period ended 31 May 2002:

	<-----Financial year ended 31 August----->					9 months to
	1997	1998	1999	2000	2001	31.05.02
	RM000	RM000	RM000	RM000	RM000	RM000
Operating revenue	1,223,578	680,415	228,991	248,570	533,080	353,129
Profit/(Loss) before exceptional items	349,037	(357,278)	(119,138)	(54,746)	(186,688)	88,327
Exceptional items	18,495	153,816	(1,207,662)	136,037	(461,482)	123,018
Profit/(Loss) before taxation and zakat	367,532	(203,462)	(1,406,800)	81,291	(648,170)	211,345
Taxation and zakat	(121,825)	(49,157)	(41,717)	(7,692)	(1,399)	(8,467)
Profit/(Loss) after taxation and zakat	245,707	(252,619)	(1,448,517)	73,599	(649,569)	202,878
Minority interests	(76,696)	(52,695)	14,932	(15,915)	(7,186)	(8,204)
Profit/(Loss) before extraordinary items	169,011	(305,314)	(1,433,585)	57,684	(656,755)	194,674
Extraordinary items	-	-	-	-	-	-
Profit/(Loss) attributable to shareholders	169,011	(305,314)	(1,433,585)	57,684	(656,755)	194,674
Issued and paid-up capital (RM000)	722,320	963,129	969,781	975,096	976,550	976,550
Weighted average number of shares in issue (000)	600,645	963,123	964,502	972,501	975,650	976,550
Gross earnings/(loss) per share (sen)	61.2	(21.1)	(145.9)	8.4	(66.4)	21.6
Net earnings/(loss) per share (sen)	28.1	(31.7)	(148.6)	5.9	(67.3)	19.9
Gross dividend (%)	1.0	-	-	-	-	-

### Notes:

1. There was no extraordinary item throughout the financial periods under review.
2. Losses in 1998 were caused mainly by the Asian economic crisis, which caused a weakening in exchange rates, falling asset prices and reduced consumption spending. MRCB's losses were driven by the fall in turnover and the foreign exchange loss of RM274 million arising on the US\$100 million loan drawn down in June 1997. The exceptional gain relates mainly to the gain on disposal of MRCB's 51% interest in Teknik Janakuasa Sdn Bhd and 15% interest in Malakoff Berhad.
3. For 1999, the lower turnover of RM229.0 million compared to RM680.4 million in the previous year is principally due to the completion of construction works related to the Group's power projects and reduced activities in the Group property and construction sector, which are in tandem with the slowdown and consolidation in the sector. The sale of Teknik Janakuasa Sdn Bhd to Malakoff Berhad also affected the turnover as no contribution was forthcoming as a result of the sale. The higher loss of RM1.4 billion recorded in the financial year is mainly due to a diminution on the value of investment in RHB, an associated company by RM999.5 million.

4. *The Group recorded a pre-tax profit of RM81.3 million in 2000 compared to a loss in the previous year mainly due to the exceptional provisions in 1999 and improved performance in the share of profits in the Group's associated companies. The exceptional items recorded during the year related mainly to the gain on disposal of associated companies, namely Port Dickson Power Berhad and MRCB's remaining stake in Malakoff Berhad.*
5. *The improved revenue of RM533.1 million for 2001 compared to RM248.6 million in 2000 was mainly attributed to property development, engineering and construction works. The Group incurred a larger loss compared to the previous year mainly due to the Group's share of losses of associated companies (RHB and NSTP) amounting to RM72.6 million (2000: profit RM82.9 million) and provisions for diminution in the Group's asset values, project development account and write-off of goodwill on consolidation amounting to RM626.7 million.*
6. *The return to profitability in 2002 for MRCB was mainly due to the exceptional gain on the disposal of Sepang Power and from equity accounting NSTP's exceptional gain from disposal of its stake in Commerce-Asset Holding Berhad.*

## 9. Historical Share Prices

The monthly high and low market prices of MRCB Shares traded on the KLSE for the past twelve (12) months from October 2001 to September 2002 are as follows:

	High RM	Low RM
<b>2001</b>		
October	1.34	1.09
November	1.40	1.10
December	1.28	1.13
<b>2002</b>		
January	1.40	1.21
February	1.37	1.14
March	1.47	1.17
April	1.98	1.35
May	1.82	1.36
June	1.48	1.18
July	1.44	1.22
August	1.28	1.15
September	1.19	1.02
Last transacted market price of MRCB Shares on 19 March 2002, being the market date prior to the date of announcement on 20 March 2002		RM1.36
Last transacted market price of MRCB Shares on 25 October 2002, being the last practicable date prior to the printing of this Circular		RM1.03

(Source: Bloomberg)

**INFORMATION ON RHB****1. Name of Company**

Rashid Hussain Berhad. (Company No. 163211-V)

**2. History, Date and Place of Incorporation**

RHB was incorporated in Malaysia under the Act on 6 August 1987 as a private limited company under the name of Rashid Hussain Futures Sdn Bhd. On 30 June 1988, the company changed its name to Rashid Hussain Sdn Bhd. It was converted into a public limited company on 22 September 1988 and was listed and quoted on the Main Board of the KLSE on 19 December 1988.

**3. Principal Activities**

RHB is principally an investment holding company whilst its subsidiary companies are principally involved in the commercial banking, merchant banking, offshore banking, finance company business, offshore trust management, general insurance, leasing, unit trust management, property investment and management and the securities and asset management businesses.

As at 30 June 2002, RHB Bank (on a stand alone basis) had total assets of RM48.4 billion, total liabilities of RM43.6 billion, total customer deposits of RM34.4 billion and total gross loans of RM36.0 billion. For the year ended 30 June 2002 RHB Bank recorded net profits of RM156 million.

RHB Bank offers a comprehensive range of financial products and services ranging from retail, commercial and corporate banking to Islamic products and services and electronic banking. RHB Bank has its Head Office at RHB Centre in Kuala Lumpur, and as at 31 August 2002, had a network of 180 branches throughout Malaysia. RHB Bank also has a regional presence with branches in Singapore, Bandar Seri Begawan in Brunei and Bangkok in Thailand.

The principal activities of the subsidiaries and associated companies of RHB are set out in Section 7 of this appendix.

**4. Share Capital**

The authorised, issued and fully paid-up share capital of RHB as at 30 September 2002 are as follows:

	<b>RM</b>
<b>Authorised</b>	
1,000,000,000 shares of RM1.00 each	<u>1,000,000,000</u>
<b>Issued and paid-up</b>	
463,646,102 ordinary shares of RM1.00 each	<u>463,646,102</u>

Details of changes in the issued and paid-up share capital of RHB since its incorporation up to 30 September 2002 are as follows:

<b>Date of allotment</b>	<b>No. of RHB Shares issued</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Resultant total RM</b>
06.08.87	2	1.00	Cash (subscriber shares)	2
27.10.88	35,000,000	1.00	Shares issued in exchange for shares in Rashid Hussain Securities Sdn Bhd	35,000,002
08.12.88	24,999,998	1.00	Public issue at the price of RM1.25 each in cash	60,000,000
05.11.89	24,000,000	1.00	Issued pursuant to the acquisition of Bangunan Peremba at the price of RM1.70 per share, credited as fully paid	84,000,000
1990	309,300	1.00	Issued pursuant to exercise of Transferable Subscription Right ("TSR")	84,309,300
24.11.90	84,305,100	1.00	Rights issue on a 1:1 basis at the price of RM2.40 per share	168,614,400
1991	15,000	1.00	Issued pursuant to the exercise of TSRs	168,629,400
1992	3,750	1.00	Issued pursuant to the exercise of TSRs	168,633,150
20.11.92	84,316,200	1.00	Bonus issue on a 1:2 basis by capitalising the share premium reserves	252,949,350
1993	1,810,450	1.00	Issued pursuant to exercise of 174,450 TSRs and 1,636,000 under the Employees' Share Option Scheme ("ESOS")	254,759,800
1994	25,124,850	1.00	Issued pursuant to exercise of 23,444,850 TSRs and 1,680,000 under the ESOS	279,884,650
26.05.95	23,354,164	1.00	Issued pursuant to acquisition of land from Urban Development Authority at an issue price of RM5.75 per share	303,238,814
1995	39,414,350	1.00	Issued pursuant to exercise of 37,753,350 TSRs and 1,661,000 under the ESOS	342,653,164
1996	4,549,050	1.00	Issued pursuant to exercise of ESOS	347,202,214
01.01.97 – 04.06.97	2,993,800	1.00	Issued pursuant to exercise of ESOS	350,196,014
05.06.97	34,700,000	1.00	Special issue to MRCB at an issue price of RM15.80 per share	384,896,014
06.06.97 - 09.01.98	876,000	1.00	Issued pursuant to exercise of ESOS	385,772,014
22.06.99	77,700,000	1.00	Special issue to Kumpulan Wang Amanah Pencen at RM2.20 per share	463,472,014

<b>Date of allotment</b>	<b>No. of RHB Shares issued</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Resultant total RM</b>
19.09.02	446	1.00	Issued pursuant to exercise of RHB Warrants 2001/2002 (now known as RHB Warrants 2001/2007) ("RHB Warrants 2001/2007")	463,472,460
14.03.02	1,250	1.00	Issued pursuant to exercise of RHB Warrants 2001/2007	463,473,710
19.03.02	22,071	1.00	Issued pursuant to exercise of RHB Warrants 2001/2007	463,495,781
26.03.02	17,500	1.00	Issued pursuant to exercise of RHB Warrants 2001/2007	463,513,281
01.04.02	124,821	1.00	Issued pursuant to exercise of RHB Warrants 2001/2007	463,638,102
02.04.02	5,000	1.00	Issued pursuant to exercise of RHB Warrants 1999/2002 (now known as RHB Warrants 1999/2009)	463,643,102
08.04.02	2,000	1.00	Issued pursuant to exercise of RHB Warrants 2001/2007	463,645,102
16.04.02	1,000	1.00	Issued pursuant to exercise of RHB Warrants 2001/2007	463,646,102

## 5. Substantial Shareholders

The substantial shareholders' shareholding of RHB as at 30 September 2002 are as follows:

<b>Shareholders</b>	<b>Direct</b>		<b>Indirect</b>		<b>Nationality/ Country of incorporation</b>
	<b>No. of shares held</b>	<b>% held</b>	<b>No. of shares held</b>	<b>% held</b>	
Tan Sri Dato' Abdul Rashid Hussain	88,942,345	19.18	22,042,041 <sup>1</sup>	4.75	Malaysian
MRCB	105,127,000	22.67	-	-	Malaysia
Kumpulan Wang Amanah Pencen ("KWAP")	77,912,000 <sup>2</sup>	16.80	-	-	Malaysia
EPF	43,338,000 <sup>3</sup>	9.35	-	-	Malaysia
Realmild	-	-	105,127,000 <sup>4</sup>	22.67	Malaysia
Dato' Seri Syed Anwar Jamalullail	-	-	105,127,000 <sup>5</sup>	22.67	Malaysian

### Notes:

<sup>1</sup> The indirect interests of Tan Sri Dato' Abdul Rashid Hussain are held through family members.

<sup>2</sup> The interest of KWAP is held through various fund managers in addition to its direct shareholding.

<sup>3</sup> The interest of EPF is held through various nominees and fund managers in addition to its own direct shareholding.

<sup>4</sup> Realmild is a major shareholder of MRCB. Under Section 6A (4) of the Act, Realmild is deemed interested in MRCB's interest in RHB.

<sup>5</sup> Dato' Seri Syed Anwar Jamalullail is a substantial shareholder of Realmild. Under Section 6A (4) of the Act, Dato' Seri Syed Anwar Jamalullail is deemed interested in Realmild's deemed interest in RHB.

## 6. Board of Directors

The Directors of RHB, and their shareholdings in RHB as at 30 September 2002 are as follows:

Name	Direct		Indirect		Nationality
	No. of shares held	% held	No. of shares held	% held	
Tan Sri Dato' Abdul Rashid Hussain	88,942,345	19.18	22,042,041 <sup>1</sup>	4.75	Malaysian
Seah Fook Chin	151,900	0.03	1,000 <sup>2</sup>	*	Malaysian
Chartchai Sac s/o Pusavat	-	-	-	-	Singaporean
Mohammad Abdul Halim bin Ahmad	-	-	-	-	Malaysian
Dato' Zulkifli bin Abdul Rahman	-	-	-	-	Malaysian
Chong Kin Leong	82,100	0.02	-	-	Malaysian
Ruslan bin Hassan	-	-	-	-	Malaysian
Oh Chong Peng	-	-	-	-	Malaysian
Datuk Haji Zahari Omar	-	-	-	-	Malaysian
Shahril Ridza Ridzuan	-	-	-	-	Malaysian
Dato' Mohamed Khadar Merican	13,000	*	-	-	Malaysian

### Notes:

<sup>1</sup> The indirect interests of Tan Sri Dato' Abdul Rashid Hussain are held through family members.

<sup>2</sup> The indirect interest is held by a family member.

\* Negligible.

## 7. Subsidiaries and Associated Companies

Details of the subsidiaries of RHB as at 30 September 2002 are as follows:

Name	Date and place of incorporation	Issued and paid-up share capital RM	RHB's effective equity interest held %	Principal Activities
<b>Subsidiaries of RHB</b>				
RHB Capital Berhad <sup>1</sup> ("RHB Capital")	24.8.1994 Malaysia	1,823,468,070	55.4	Investment holding
RHB Property Management Sdn Bhd	29.5.1989 Malaysia	500,000	100.0	Property management
RHB-DAEWOO Sdn Bhd	19.7.1994 Malaysia	186,508,950	80.0	Property investment
Bandar Wawasan Management Sdn Bhd <sup>2</sup>	18.9.1997 Malaysia	2	80.0	Dormant
RHB Kawal Sdn Bhd	8.6.1990 Malaysia	1,500,000	100.0	Security services
RHB Health Care Sdn Bhd	14.4.1995 Malaysia	2	100.0	Dormant

<b>Name</b>	<b>Date and place of incorporation</b>	<b>Issued and paid-up share capital RM</b>	<b>RHB's effective equity interest held %</b>	<b>Principal Activities</b>
RHB Management Company Sdn Bhd	26.11.1996 Malaysia	150,000	100.0	Management and consultancy services
RHB Modal-Ekuiti Sdn Bhd	28.3.1997 Malaysia	3,000,000	100.0	Dormant
Malaysian Mint Sdn Bhd	29.4.1997 Malaysia	2	100.0	Dormant
Spektra Perkasa Sdn Bhd	7.3.1998 Malaysia	2	100.0	Dormant

Details of the subsidiaries of RHB Capital as at 30 September 2002 are as follows:

<b>Name</b>	<b>Date and place of incorporation</b>	<b>Issued and paid-up share capital RM</b>	<b>RHB Capital's effective equity interest held %</b>	<b>Principal Activities</b>
<i><b>Subsidiaries of RHB Capital</b></i>				
RHB Bank	4.10.1965 Malaysia	8,085,121 <sup>@</sup>	70.0	Commercial banking
RHB Bank (L) Ltd <sup>1</sup>	12.3.1992 Malaysia	USD54,000,000	70.0	Offshore banking
RHB Capital Nominees (Tempatan) Sdn Bhd <sup>3</sup>	22.12.1975 Malaysia	10,000	70.0	Nominees services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd <sup>5</sup>	2.6.1986 Malaysia	10,000	70.0	Nominees services for foreign beneficial shareholders
UMBC Sdn Bhd <sup>3</sup>	2.4.1959 Malaysia	499,999,818	70.0	Dormant
RHB Investment Ltd <sup>3</sup>	16.1.1969 Singapore	S\$19,000,000	70.0	Property investment and rental
Banfora Pte Ltd <sup>3</sup>	8.8.1996 Singapore	S\$25,000,000	35.7	Property investment and rental
RHB Bank Nominees Pte Ltd <sup>3</sup>	2.9.1994 Singapore	S\$100,000	70.0	Nominee services
USB Nominees Sdn Bhd <sup>3</sup>	8.7.1977 Malaysia	10,000	70.0	Dormant
USB Nominees (Tempatan) Sdn Bhd <sup>3</sup>	10.2.1993 Malaysia	10,000	70.0	Dormant
USB Nominees (Asing) Sdn Bhd <sup>3</sup>	10.2.1993 Malaysia	10,000	70.0	Dormant



Name	Date and place of incorporation	Issued and paid-up share capital RM	RHB Capital's effective equity interest held %	Principal Activities
RHB Delta Finance Berhad <sup>3</sup>	25.8.1967 Malaysia	70,000,000	70.0	Finance company
RHB Delta Nominees (Tempatan) Sdn Bhd <sup>4</sup>	21.3.1996 Malaysia	10,000	70.0	Dormant
INFB Jaya Sdn Bhd <sup>3</sup>	15.12.1978 Malaysia	50,000,000	70.0	Dormant
RHB Trade Services Limited <sup>3</sup>	6.6.2001 Hong Kong	HK\$2	70.00	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Bena Sdn Bhd	1.9.1988 Malaysia	5,000,000	100.0	Dormant
RHBF Sdn Bhd	12.11.1969 Malaysia	148,145,176	100.0	Dormant
KYF Sdn Bhd <sup>6</sup>	17.3.1965 Malaysia	50,000,000	100.0	Dormant
Kwong Yik Nominees (Tempatan) Sdn Bhd	31.12.1963 Malaysia	10,000	100.0	Dormant
Kwong Yik Nominees (Asing) Sdn Bhd	28.5.1993 Malaysia	10,000	100.0	Dormant
KYB Trust Management Sdn Bhd	13.5.1996 Malaysia	2	100.0	Dormant
RHB Sakura Merchant Bankers Berhad	5.8.1974 Malaysia	338,646,000	51.0	Merchant banking
RHB Unit Trust Management Berhad <sup>7</sup>	27.2.1987 Malaysia	2,000,000	75.0	Management of unit trust funds
RHB Merchant Nominees (Tempatan) Sdn Bhd <sup>8</sup>	24.3.1980 Malaysia	10,000	51.0	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd <sup>9</sup>	25.5.1993 Malaysia	10,000	51.0	Nominee services for foreign beneficial shareholders
RHB Venture Capital Sdn Bhd <sup>8</sup>	13.12.1985 Malaysia	2	51.0	Dormant
RHB Holdings Sdn Bhd <sup>8</sup>	6.3.1998 Malaysia	2	51.0	Dormant
Semara Jaya Sdn Bhd <sup>10</sup>	10.3.1998 Malaysia	2	51.0	Dormant
RHB Dynamic Technologies Sdn Bhd	15.11.1985 Malaysia	100,000	100.0	Dormant
RHB Leasing Sdn Bhd	31.1.1981 Malaysia	10,000,000	70.0	Leasing and hire purchase

<b>Name</b>	<b>Date and place of incorporation</b>	<b>Issued and paid-up share capital RM</b>	<b>RHB Capital's effective equity interest held %</b>	<b>Principal Activities</b>
RHB Insurance Berhad	7.3.1978 Malaysia	100,000,000	79.5	General insurance
RHB International Trust (Labuan) Sdn Bhd	28.1.1992 Malaysia	150,000	100.0	Offshore trust company
RHB Capital Properties Sdn Bhd	4.5.1982 Malaysia	21,800,000	100.0	Property investment
RHB Hartanah Sdn Bhd	27.5.1997 Malaysia	100,000	100.0	Property investment
Rashid Hussain Securities Sdn Bhd	31.12.1982 Malaysia	200,000,000	100.0	Stockbroking
RHB Nominees Sdn Bhd <sup>11</sup>	31.12.1982 Malaysia	25,000	100.0	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd <sup>11</sup>	8.3.1993 Malaysia	25,000	100.0	Nominee and custodian services for foreign beneficial shareholders
RHB Nominess (Tempatan) Sdn Bhd <sup>11</sup>	8.3.1993 Malaysia	25,000	100.0	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd (formerly known as Rashid Hussain Asset Management Sdn Bhd)	4.10.1988 Malaysia	2,000,000	100.0	Asset management
RHB Research Institute Sdn Bhd	28.1.1992 Malaysia	500,000	100.0	Research services
RHB Equities Sdn Bhd <sup>#</sup>	1.9.1988 Malaysia	20,000,000	100.0	Equity related services
KYB Sdn Bhd <sup>12</sup>	15.7.1913 Malaysia	1,735,137,489	100.0	Dormant
RHB Futures Sdn Bhd	8.1.1991 Malaysia	13,500,000	100.0	Futures and options broker
RHB Marketing Services Sdn Bhd	22.7.1994 Malaysia	100,000	100.0	Investment holding
Straits Asset Holdings Sdn Bhd <sup>13</sup>	4.10.1995 Malaysia	45,000,000	63.0	Investment holding
Straits Futures Sdn Bhd <sup>14</sup>	4.10.1995 Malaysia	5,000,000	63.0	Futures and options broker
Straits Securities Sdn Bhd <sup>14</sup>	11.8.1981 Malaysia	40,000,000	63.0	Stockbroking

Name	Date and place of incorporation	Issued and paid-up share capital RM	RHB Capital's effective equity interest held %	Principal Activities
Straits Nominees (Tempatan) Sdn Bhd <sup>15</sup>	19.8.1981 Malaysia	25,000	63.0	Nominee and custodian services for Malaysian beneficial shareholders
Straits Nominees (Asing) Sdn Bhd <sup>15</sup>	11.8.1993 Malaysia	25,000	63.0	Nominee and custodian services for foreign beneficial shareholders
Straits-G.K. Goh Research Sdn Bhd <sup>14</sup>	19.1.1998 Malaysia	500,000	63.0	Research services
RHB Asia Pte Ltd	23.2.1991 Singapore	S\$12,000,000	100.0	Investment holding
RHB Capital (Jersey) Limited	18.1.1991 Jersey Channel Islands	GBP4,012 <sup>16</sup>	100.0	Investment holding
Rashid Hussain Securitics (Philippines) Inc <sup>17, 21</sup>	6.10.1994 Philippines	PHP180,000,000	100.0	Dormant
PT Rashid Hussain Securitics <sup>17, 22</sup>	27.3.1989 Indonesia	IRD35,000,000,000	85.0	Dormant
RHB Overseas Limited <sup>17</sup>	26.2.1997 Jersey Channel Islands	GBP100	100.0	Investment holding
RHB Management Services (Jersey) Limited	18.1.1991 Jersey Channel Islands	GBP12	100.0	Management services

Details of the associated companies of RHB Capital as at 30 September 2002 are as follows:

Name	Date and place of incorporation	Issued and paid-up share capital RM	RHB Capital's Effective equity interest held %	Principal Activities
<b><i>Associated Companies</i></b>				
Positive Properties Sdn Bhd <sup>18</sup>	17.7.1992 Malaysia	23,000,000	50.0	Property investment
RHB-Cathay Securitics Pte Ltd <sup>19, 23</sup>	5.9.1973 Singapore	S\$30,000,000	49.0	Dormant
RHB-Cathay Research Pte Ltd <sup>20, 24</sup>	27.12.1991 Singapore	S\$250,000	49.0	Dormant
RHB-Cathay Nominees Pte Ltd <sup>20</sup>	7.11.1973 Singapore	S\$2	49.0	Nominees services

**Notes:**

- (1) *In addition, RHB also owns 39,812,500 warrants in RHB Capital.*
- (2) *Interest held by RHB-DAE-WOO Sdn Bhd.*
- (3) *Interest held by RHB Bank.*
- (4) *Interest held by RHB Delta Finance Berhad.*
- (5) *Interest held by RHB Capital Nominees (Tempatan) Sdn Bhd.*
- (6) *Interest held by RHBF Sdn Bhd.*
- (7) *49% of the equity interest is held by RHB Capital and the balance of 51% is held by RHB Capital's 51% owned subsidiary, RHB Sakura Merchant Bankers Berhad ("RHB Sakura").*
- (8) *Interest held by RHB Sakura.*
- (9) *Interest held by RHB Merchant Nominees (Tempatan) Sdn Bhd.*
- (10) *Interest held by RHB Holdings Sdn Bhd.*
- (11) *Interest held by Rashid Hussain Securities Sdn Bhd.*
- (12) *Interest held by RHB Equities Sdn Bhd.*
- (13) *63% of the equity interest is held by RHB Marketing Services Sdn Bhd and the balance of 37% is held by G.K. Goh Holdings Limited.*
- (14) *Interest held by Straits Asset Holdings Sdn Bhd.*
- (15) *Interest held by Straits Securities Sdn Bhd.*
- (16) *4,000 ordinary shares were issued at a premium of GBP499 per ordinary share. 12 ordinary shares were issued at par.*
- (17) *Interest held by RHB Capital (Jersey) Limited.*
- (18) *Interest held by RHB Hartanah Sdn Bhd.*
- (19) *Interest held by RHB Asia Pte Ltd.*
- (20) *Interest held by RHB-Cathay Securities Pte Ltd.*
- (21) *The company has ceased operations effective from the close of business on 10 December 2001.*
- (22) *The company has ceased operations on 31 July 2001 and commenced proceedings for shareholders' voluntary dissolution.*
- (23) *Disposal of the company's stockbroking business to UOB-Kay Hian Pte Ltd has been completed. The company's activities currently pertain primarily to recovery of outstanding debts after which the company is proposing to commence members' voluntary winding-up.*
- (24) *The company has commenced proceedings for a members' voluntary winding-up.*
- # *With effect from 1 July 2001, the company's activities pertain primarily to recovery of outstanding debts.*
- @ *Comprising 3,899,971,952 ordinary shares of RM0.50 each and 1,368,099,145 Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each.*

## 8. Profit and Dividend Record

The following is a summary of the audited consolidated financial results of RHB for the past five (5) financial years ended 30 June 2002:

	-----Financial year ended 30 June----->				
	1998 RM000	1999 RM000	2000 RM000	2001 RM000	2002 RM000
Operating revenue	5,049,888	3,914,006	3,768,520	3,408,999	3,193,294
Profit/(Loss) before exceptional items	(589,919)	(94,342)	468,144	267,735	4,751
Exceptional items	(973,332)	(493,394)	-	-	-
Profit/(Loss) before taxation and zakat	(1,563,251)	(587,736)	468,144	267,735	4,751
Taxation and zakat	234,023	(49,278)	(208,292)	(204,806)	(114,633)
Profit/(Loss) after taxation and zakat	(1,329,228)	(637,014)	259,852	62,929	(109,882)
Minority interests	393,381	38,813	(324,140)	(261,007)	(159,761)
Profit/(Loss) after taxation, zakat and minority interests	(935,847)	(598,201)	(64,288)	(198,078)	(269,643)
Shareholders funds	1,126,338	700,305	618,535	383,707	(100,024)
Total borrowings	4,861,146	4,372,763	3,800,991	3,842,796	4,048,868
Weighted average number of shares in issue (000)	385,642	387,475	463,472	463,472	463,519
Gross earnings/(loss) per share (sen)	(405.4)	(151.7)	101.0	57.8	1.02
Net earnings/(loss) per share (sen)	(242.7)	(154.0)	(18.9)	(48.1)	(63.5)
Gross dividend (%)	15.0	-	-	-	-

### Notes:

- The increase in turnover for the financial year ended 30 June 1998 was due to the higher contribution from the banking unit of RHB which was accounted as a subsidiary instead of an associated company following the completion of the restructuring of the RHB Group involving RHB Capital and Kwong Yik Bank Berhad Group in June 1997.

The exceptional items for 1998 were due to the gain on disposal of shares in a subsidiary company and loss on winding down of the equity financing operations of a subsidiary company.

The loss before tax in 1998 was mainly due to the economic downturn in Malaysia and the region which had an adverse impact on asset quality in the banking business, giving rise to the need for prudent provisioning which resulted in an increase in loan and financing loss and provision. The securities business was also adversely affected by the sharp contraction in market volume and prices.

- The RHB Group recorded a lower pretax loss after exceptional items of RM587.7 million for the financial year ended 30 June 1999 as compared to previous year's pretax loss of RM1.56 billion mainly attributed to a substantial reduction in loan loss and financing provision by 48% to RM671.4 million in its financial services subsidiaries, and lower exceptional loss of RM493 million as compared to RM973 million in the previous year. Current year exceptional items comprised the provision made in winding down a subsidiary's operation in equity financing and the loss and goodwill written off upon the disposal of an associated company in Indonesia.

*Operating margins in the financial services subsidiaries were affected by narrower spreads and interest suspension during the year. However, overheads reduced substantially through various measures undertaken to improve efficiency in the banking operations following the acquisition and mergers of Kwong Yik Bank Berhad and RHB Finance Berhad with RHB Bank, and in the securities operations. These efforts resulted in significantly improved profits by these subsidiaries. The adverse impact of the high interest cost at the holding company level and provision for diminution in value of properties by one of the property subsidiaries, however, affected the overall results.*

- 3 *The profit before taxation and zakat of RHB Group of RM468.1 million represented a marked turnaround from the loss of RM587.7 million recorded in the previous year. The higher profit was mainly due to higher contributions from both the banking and securities businesses in the light of the stronger economic growth in Malaysia and in the Asean region. RHB Bank achieved marked improvement in profit before taxation to RM500.8 million from the previous year's profit of RM326.3 million, reflective of the benefits derived from the rationalisation of the bank's operations following the merger with Sime Bank in the previous year. The reduction in non-performing loans and higher fee based income in RHB Bank and RHB Sakura Merchant Bankers Berhad as well as improved interest margin in RHB Leasing Sdn Bhd also contributed to the higher profits. With higher trading volume and lower interest cost and provisions during the year, the profits of the securities subsidiaries, Rashid Hussain Securities Sdn Bhd and Straits Securities Sdn Bhd also improved during the year.*

- 4 *The RHB Group's lower pretax profit of RM267.7 million for the financial year ended 30 June 2001, down from RM468.1 million achieved in the previous year was mainly due to the higher provisions made by RHB Bank, reflective of the increase in the industry level of non-performing loans in the last quarter of the financial year. As a result of the higher provisions made, RHB Bank posted a lower profit before tax of RM465.7 million.*

*The RHB Group's lower profit before taxation was also attributed to lower trading volume and reduced brokerage rates on the Malaysian and Singapore stock markets which caused a significant reduction in dealing revenue in the securities operations although market share of Rashid Hussain Securities Sdn Bhd and Straits Securities Sdn Bhd increased to more than 8% during the year. The RHB Group's lower profit was mitigated by the profitable operations in RHB Delta Finance Berhad and RHB Leasing Sdn Bhd which recorded profit before taxation of RM27.8 million and RM38.4 million respectively.*

- 5 *The RHB Group recorded a lower profit before tax of RM4.8 million for the financial year ended 30 June 2002 compared to the profit before tax of RM267.7 million reported in the last financial year. The reduction in profit for the year was due primarily to the higher provision made for loan and financing loss in respect of non-performing loans of the banking subsidiaries.*

## 9. Historical Share Prices

The monthly high and low market prices of RHB Shares traded on the KLSE for the past twelve (12) months from October 2001 to September 2002 are as follows:

	High RM	Low RM
<b>2001</b>		
October	1.89	1.59
November	1.94	1.52
December	2.22	1.61
<b>2002</b>		
January	2.49	2.01
February	2.43	1.86
March	2.32	1.90
April	2.30	1.90
May	2.04	1.60
June	1.86	1.45
July	1.86	1.55
August	1.69	1.45
September	1.57	1.24
Last transacted market price of RHB Shares on 18 March 2002, being the market date prior to the date of announcement on 20 March 2002		RM2.26
Last transacted market price of RHB Shares on 25 October 2002, being the last practicable date prior to the printing of this Circular		RM1.22

*(Source: Bloomberg)*

**10. Audited Financial Statements of RHB for the Financial Year Ended 30 June 2002**

**RASHID HUSSAIN BERHAD**

(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**30 JUNE 2002**



Company No.

163211	V
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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Tan Sri Dato' Abdul Rashid Hussain  
Seah Fook Chin  
Chartchai Sae s/o Pusavat  
Dato' Zulkifli bin Abdul Rahman  
Mohamad Abdul Halim bin Ahmad  
Chong Kin Leong  
Ruslan bin Hassan  
Datuk Oh Chong Peng  
Datuk Haji Zahari bin Omar  
Shahril Ridza Ridzuan  
Dato' Mohamed Khadar Merican

### **SECRETARIES**

Rosley bin Ahmad  
Azleena binti Idris

### **REGISTERED OFFICE**

Level 9, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Malaysia

### **AUDITORS**

PricewaterhouseCoopers  
Chartered Accountants  
11th Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur  
Malaysia

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**  
**30 JUNE 2002**

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors submit herewith their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in commercial banking, merchant banking, offshore banking, offshore trust services, finance company business, general insurance, leasing, securities and asset management business, unit trust management and property investment and management.

There have been no significant changes in these principal activities during the financial year.

## FINANCIAL RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit/(Loss) before taxation and zakat	4,751	(363,547)
Taxation and zakat	(114,633)	12,849
Loss after taxation and zakat	(109,882)	(350,698)
Minority interests	(159,761)	-
Loss after taxation, zakat and minority interests	<u>(269,643)</u>	<u>(350,698)</u>

## DIVIDENDS

No dividends were paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividend for the financial year ended 30 June 2002.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up share capital from RM463,472,014 to RM463,646,102 by the issue of 174,088 ordinary shares of RM1.00 each pursuant to the following:

	<u>Issue</u> <u>Price</u> RM	<u>Number of</u> <u>Ordinary</u> <u>shares of</u> RM1.00 each
Exercise of Warrants 1999/2002 (now known as Warrants 1999/2009)	4.35	5,000
Exercise of Warrants 2001/2002 (now known as Warrants 2001/2007)	1.90	169,088
		<u>174,088</u>

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (CONTINUED)**

### **BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that actions have been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts, and satisfied themselves that all known bad debts have been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

### **CURRENT ASSETS**

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and the Company, had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

### **VALUATION METHOD**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

### **CONTINGENT AND OTHER LIABILITIES**

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

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year other than in the normal course of business.

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

### **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 the Company which would render any amount stated in the financial statements misleading or inappropriate.

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (CONTINUED)**

### **ITEMS OF AN UNUSUAL NATURE**

The results of the Group and the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Significant events during the financial year are disclosed in Note 1 and Note 43 to the financial statements.

### **DIRECTORS OF THE COMPANY**

The directors of the Company in office since the date of the last report are:

Tan Sri Dato' Abdul Rashid Hussain

Seah Fook Chin

Chartchai Sae s/o Pusavat

Dato' Zulkifli bin Abdul Rahman

Mohamad Abdul Halim bin Ahmad

Chong Kin Leong

Ruslan bin Hassan

Datuk Oh Chong Peng

Datuk Haji Zahari bin Omar

Shahril Ridza Ridzuan

(appointed on 18 October 2001)

Dato' Mohamed Khadar Merican

(appointed on 28 June 2002)

Puan Sri Suraya bte Abdullah

(resigned on 30 August 2001)

Dato' Jamil Bidin

(resigned on 20 September 2001)

Ooi Sang Kuang

(resigned on 15 June 2002)

Tuan Haji Tajul Ariffin bin Mohd Tahir

(resigned on 28 June 2002)

David Lee Chuen Chieh

(resigned on 28 June 2002)

Pursuant to Article 87 of the Company's Articles of Association, Seah Fook Chin, Chartchai Sae s/o Pusavat and Datuk Oh Chong Peng retire from the Board at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

Pursuant to Article 91 of the Company's Articles of Association, Dato' Mohamed Khadar Merican retires from the Board at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-election.

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS IN SHARES AND WARRANTS**

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

	Number of ordinary shares of RM1.00 each			
	As at 1.7.2001/ Date of <u>appointment</u>	<u>Bought</u>	<u>Sold</u>	As at 30.6.2002
<u>The Company</u>				
Tan Sri Dato' Abdul Rashid Hussain				
- direct	88,942,345	-	-	88,942,345
- indirect <sup>1</sup>	22,042,041	-	-	22,042,041
Seah Fook Chin				
- direct	151,900	-	-	151,900
Chong Kin Leong				
- direct	82,100	-	-	82,100
Dato' Mohamed Khadar Merican				
- direct	13,000	-	-	13,000
<u>Subsidiary companies</u>				
<u>RHB Capital Berhad</u>				
Tan Sri Dato' Abdul Rashid Hussain				
- indirect <sup>2</sup>	1,010,427,972	-	-	1,010,427,972
Dato' Mohamed Khadar Merican				
- direct	10,000	-	-	10,000
<u>RHB Sakura Merchant Bankers Berhad</u>				
Tan Sri Dato' Abdul Rashid Hussain				
- indirect <sup>3</sup>	244,265,395	-	-	244,265,395
Seah Fook Chin				
- direct	8,000	-	-	8,000

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS IN SHARES AND WARRANTS (CONTINUED)**

	Number of Warrants 1999/2009			
	As at 1.7.2001	Bought	Sold	As at 30.6.2002
<u>The Company</u>				
Tan Sri Dato' Abdul Rashid Hussain				
- direct	31,408,000	-	-	31,408,000
- indirect <sup>1</sup>	1,070,000	-	-	1,070,000
Seah Fook Chin				
- direct	57,000	-	-	57,000
Chong Kin Leong				
- direct	30,000	-	-	30,000

Each warrant of the Company ('Warrants 1999/2002') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in the Company at any time from the date of issue on 17 August 1999 at an initial exercise price of RM4.35 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll executed on 23 June 1999. Pursuant to a Supplemental Deed Poll dated 20 March 2002, the exercise period of the Warrants 1999/2002 has been extended by approximately seven (7) years to expire on 16 August 2009 and the Warrants 1999/2002 are now known as Warrants 1999/2009.

	Number of Warrants 2001/2007			
	As at 1.7.2001	Bought	Sold	As at 30.6.2002
<u>The Company</u>				
Tan Sri Dato' Abdul Rashid Hussain				
- direct	13,058,000	-	-	13,058,000
- indirect <sup>1</sup>	429,000	-	-	429,000
Seah Fook Chin				
- direct	22,000	-	-	22,000
Chong Kin Leong				
- direct	15,000	-	-	15,000

Each warrant of the Company ('Warrants 2001/2002') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in the Company at any time from the date of issue on 4 April 2001 at an initial exercise price of RM1.90 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll executed on 13 February 2001. Pursuant to a Supplemental Deed Poll dated 20 March 2002, the exercise period of the Warrants 2001/2002 has been extended by five (5) years to expire on 24 March 2007 and the Warrants 2001/2002 are now known as Warrants 2001/2007.

Company No.

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**RASHID HUSSAIN BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS IN SHARES AND WARRANTS (CONTINUED)**

	Number of Warrants 1994/2004			
	As at 1.7.2001	Bought	Sold	As at 30.6.2002
<u>RHB Capital Berhad</u>				
Tan Sri Dato' Abdul Rashid Hussain				
- indirect <sup>2</sup>	39,812,500	-	-	39,812,500

Each warrant of RHB Capital Berhad ('Warrants 1994/1999') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in RHB Capital Berhad at any time within a period of five (5) years from the date of issue on 28 December 1994 at an exercise price of RM5.40 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll created on 7 December 1994. Pursuant to a Second Supplemental Deed Poll executed on 23 June 1999, the exercise period of the Warrants 1994/1999 has been extended by five (5) years to expire on 27 December 2004 and the Warrants 1994/1999 are now known as Warrants 1994/2004.

Notes:

- 1 The indirect interests are held through family members.
- 2 Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his interest in the Company.
- 3 Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his interest in the Company, Panduan Cekal Sdn Bhd and his deemed interest in RHB Capital Berhad.

By virtue of his substantial interest in the shares of the Company, Tan Sri Dato' Abdul Rashid Hussain is also deemed to have a substantial interest in the shares of the subsidiary companies of the Company to the extent the Company has an interest.

Other than the above, none of the other directors holding office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.



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**RASHID HUSSAIN BERHAD**

(Incorporated in Malaysia)

## **DIRECTORS' REPORT (CONTINUED)**

### **WARRANTS 1997/2007**

On 4 June 1999, the shareholders of the Company approved the extension of the exercise period of the warrants issued on 25 June 1997 for a further five (5) years to expire on 24 March 2007. A Supplemental Deed Poll dated 23 June 1999 was executed to reflect the said extension of the exercise period of the warrants ('Warrants 1997/2007').

On 2 June 2000, the Company announced the proposed issue of up to 55,038,988 replacement warrants ('Replacement Warrants') to holders of the existing Warrants 1997/2007 to replace their Warrants 1997/2007, on the basis of one (1) Replacement Warrant for every one (1) existing Warrant 1997/2007 held at an issue price to be determined later ('Proposed Replacement Warrants').

On 4 August 2000, the Company announced that the Securities Commission ('SC') has on 2 August 2000 approved the Proposed Replacement Warrants as proposed and at an issue price of RM0.10 per Replacement Warrant ('Replacement Warrants Issue') and the proceeds from the Replacement Warrants Issue will be utilised for working capital purposes of the RHB Group while the proceeds from the exercise of the Replacement Warrants will be set aside in a sinking fund for the purpose of in part, towards the redemption of the RM800 million nominal amount of 2.5% per annum Secured Redeemable Non-Convertible Bonds issued by the Company on 25 June 1997, which were redeemable on 25 June 2002.

At an Extraordinary General Meeting of the Company held on 15 September 2000, the shareholders of the Company have approved the Replacement Warrants Issue which involves a non-renounceable issue of up to 55,038,988 Replacement Warrants by the Company to the entitled holders on the basis of one (1) Replacement Warrant for every one (1) existing Warrant 1997/2007 held at an issue price of RM0.10 per Replacement Warrant payable in full upon acceptance. On the same day, the Company announced that the exercise price of each Replacement Warrant has been fixed at RM2.85 per new ordinary share of RM1.00 each in the Company.

Subsequently, on 14 February 2001, AmMerchant Bank Berhad (*formerly known as Arab-Malaysian Merchant Bank Berhad*) ('AmMerchant Bank') announced on behalf of the Company that the exercise price of each Replacement Warrant has been revised from RM2.85 per new ordinary share of RM1.00 each in the Company to RM1.90 per new ordinary share of RM1.00 each in the Company. Out of the 55,038,988 Warrants 1997/2007, 21,733,460 Warrants 1997/2007 were surrendered and exchanged for the Replacement Warrants. The 21,733,460 Replacement Warrants ('Warrants 2001/2002') were issued on 4 April 2001 and listed on the Kuala Lumpur Stock Exchange ('KLSE') on 12 April 2001.

The movement in the Warrants 1997/2007 to take up unissued ordinary shares of RM1.00 each in the Company during the financial year was as follows:

	Number of warrants
At 1 July 2001	33,305,528
Exercise of Warrants 1997/2007	-
At 30 June 2002	<u>33,305,528</u>

Company No.

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**RASHID HUSSAIN BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**WARRANTS 1999/2009**

On 17 August 1999, the Company issued 135,020,204 new warrants ('Warrants 1999/2002') with an expiry date of 24 March 2002 to the entitled shareholders of the Company, on the basis of seven (7) new Warrants 1999/2002 for every twenty (20) shares held at an issue price of RM0.10 per warrant. The Warrants 1999/2002 were listed on the KLSE on 2 September 1999. The initial exercise price of the Warrants 1999/2002 is RM4.35. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll executed on 23 June 1999.

On 20 March 2002, the Company's shareholders and holders of Warrants 1999/2002 approved the extension of the exercise period of the Warrants 1999/2002 by approximately seven (7) years to expire on 16 August 2009. A Supplemental Deed Poll was executed on 20 March 2002 to reflect the said extension of the exercise period of the Warrants 1999/2002. The Warrants 1999/2002 are now known as Warrants 1999/2009.

The movement in the Warrants 1999/2009 to take up unissued ordinary shares of RM1.00 each in the Company during the financial year was as follows:

	Number of warrants
At 1 July 2001	135,020,204
Exercise of Warrants 1999/2009	(5,000)
At 30 June 2002	<u>135,015,204</u>

**WARRANTS 2001/2007**

On 4 April 2001, the Company issued 21,733,460 Warrants 2001/2002 with an expiry date of 24 March 2002 to holders of the existing Warrants 1997/2007 who surrendered and exchanged their Warrants 1997/2007, on a non-renounceable basis of one (1) Warrant 2001/2002 for every one (1) existing Warrant 1997/2007 held, at an issue price of RM0.10 per Warrant 2001/2002. The Warrants 2001/2002 were listed on the KLSE on 12 April 2001. The exercise price of the Warrants 2001/2002 is RM1.90. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll on 13 February 2001.

On 20 March 2002, the Company's shareholders and holders of Warrants 2001/2002 approved the extension of the exercise period of the Warrants 2001/2002 by five (5) years to expire on 24 March 2007. A Supplemental Deed Poll was executed on 20 March 2002 to reflect the said extension of the exercise period of the Warrants 2001/2002. The Warrants 2001/2002 are now known as Warrants 2001/2007.

The movement in the Warrants 2001/2007 to take up unissued ordinary shares of RM1.00 each in the Company during the financial year was as follows:

	Number of warrants
At 1 July 2001	21,733,460
Exercise of Warrants 2001/2007	(169,088)
At 30 June 2002	<u>21,564,372</u>

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**RASHID HUSSAIN BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit, other than directors' remuneration and benefits-in-kind as disclosed in Notes 33 and 34 to the financial statements, by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiary companies is a party, with the object or objects of enabling the 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.

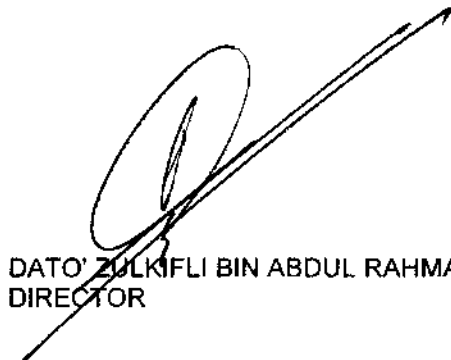
**AUDITORS**

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

Signed in accordance with a resolution of the Board of Directors dated 30 August 2002.



**TAN SRI DATO' ABDUL RASHID HUSSAIN**  
**EXECUTIVE CHAIRMAN**



**DATO' ZULKIFLI BIN ABDUL RAHMAN**  
**DIRECTOR**

Company No.

163211	V
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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in the principal accounting policies and is in accordance with the applicable approved Accounting Standards in Malaysia, directives and guidelines issued by Bank Negara Malaysia ('BNM') and comply with the provisions of the Companies Act, 1965.

## **PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies of the Group and the Company are consistent with the policies adopted in the previous financial year other than compliance with the relevant Malaysian Accounting Standards Board's ('MASB') approved Accounting Standards which became operative during the financial year ended 30 June 2002. The accounting policies of the Group and the Company are summarised below:

### **(1) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies from the date of acquisition up to the end of the financial year, except where merger accounting principles are employed, in which case the financial statements of the companies concerned are included for the full year. In the case of disposals, the results of the subsidiary companies are consolidated up to the date of disposal. All material inter-company transactions have been eliminated on consolidation.

The consolidated income statement includes the Group's share of profits less losses of associated companies based on the latest audited financial statements of the companies concerned. In the consolidated balance sheet, the Group's interest in associated companies is stated at cost less goodwill on acquisition, plus the Group's share of post-acquisition retained profits and reserves and net of foreign currency translation differences which are taken to reserves.

### **(2) Investments in subsidiary companies**

A subsidiary company is a company in which the Group 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.

Investments in subsidiary companies are stated at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in value.

### **(3) Investments in associated companies**

Associated companies are defined as those companies, other than subsidiary companies, in which the Group has a long term investment of between 20% - 50% equity interest and where the Group is in a position to exercise significant influence over financial and policy decisions through representation on the Board.

Investments in associated companies are stated at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in value.

**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(4) Goodwill**

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the separable net assets of subsidiary and associated companies at the date of acquisition.

Goodwill arising on consolidation is amortised on a straight line basis over a maximum of 20 years from the date of acquisition or the expected useful life, whichever is shorter.

**(5) Income recognition**

- (i) Interest income is recognised on an accruals basis. Interest on housing and other secured loans is recognised on a daily basis over the period of the loans. Where an account is classified as non-performing, interest is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for 6 months or more from the first day of default for loans and overdrafts, and after 3 months from maturity date for trade bills, bankers' acceptances and trust receipts. The policy on suspension of interest is in conformity with BNM's 'Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts'.
- (ii) Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.
- (iii) Guarantee fees are recognised as income upon issuance of guarantees.
- (iv) Commitment fees are recognised as income based on time apportionment.
- (v) Income from the Skim Perbankan Islam ('SPI') is recognised on an accruals basis in accordance with the principle of Syariah.
- (vi) Brokerage fees are recognised when contracts are executed, management and referral fees are recognised on an accruals basis. Interest income from clients, overdue outstanding purchases and contra losses is suspended until it is realised on a cash basis. Interest income from margin financing is recognised on an accruals basis and when an account is classified as non-performing, recognition of interest is suspended until it is realised on a cash basis.
- (vii) Dividends from subsidiary and associated companies are recognised when the shareholders' right to receive payment is established, while dividends from other investments are recognised on a cash basis.
- (viii) Revenue from real property assets is recognised on the percentage of completion method in respect of all properties under development that have been sold. The percentage of completion is measured by reference to the construction costs incurred to date against the estimated total construction costs of the properties. Revenue from the sale of other real property assets, whether completed or otherwise, is recognised based on the contracted sales value of such properties upon the delivery of vacant possession of the properties.

**(6) Provision for non-performing debts**

Specific provisions are made for debts which have been individually reviewed and specifically identified as non-performing.

A general provision for banking operations based on a percentage of the loan portfolio is also made to cover possible losses which are not specifically identified. General provision for securities operations is made based on a percentage of the total amount due from clients after deducting the amount of interest-in-suspense and specific provisions for bad and doubtful debts. These percentages are reviewed annually in the light of past experience and prevailing circumstances and an adjustment is made on the overall general provision, if necessary.

**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(6) Provision for non-performing debts (continued)**

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

The Group's provision for non-performing debts is in conformity with the requirements of BNM's 'Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts', as well as the requirements for provision for bad and doubtful debts in Chapter 9, Part 4 of the Rules of the Kuala Lumpur Stock Exchange ('KLSE').

**(7) Amount recoverable from Danaharta**

The total consideration for loans sold to Pengurusan Danaharta Nasional Berhad ('Danaharta') is received in two portions i.e. the first portion upon the sale of the loans ('initial consideration') and the second portion upon the recovery of the loans ('final consideration'). The final consideration represents the banking subsidiary companies' pre-determined share of the surplus over the initial consideration upon recovery of the loans.

The difference between the carrying value of the loans disposed of and the initial consideration is recognised as 'Amount Recoverable from Danaharta'. Provisions against these amounts are made in accordance with BNM's 'Guidelines on the Sale of Non-Performing Loans to Danaharta' issued on 30 April 1999 and reflects the assessment of the directors of the banking subsidiary companies of the realisable value of the final consideration as at the balance sheet date.

**(8) Dealing securities**

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short term, and are stated at the lower of cost and market value determined on an aggregate basis.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.

**(9) Investment securities**

Investment securities are securities that are acquired and held for yield or capital growth or to meet the minimum liquid assets requirements pursuant to the New Liquidity Framework and are usually held to maturity. Investment securities are accounted for as follows:

- (i) Malaysian government securities, Government investment issues, Malaysian government bonds, Cagamas bonds, Cagamas Mudharabah bonds and Bank Negara Malaysia exempted private debt securities are stated at cost adjusted for amortisation of premium and accretion of discount to maturity. Other private debt securities are stated at cost less provision for any permanent diminution in value.
- (ii) Malaysian government treasury bills, Malaysian government investment certificates and Cagamas notes are stated at cost.
- (iii) Quoted shares, unquoted shares, quoted bonds, floating rate notes, floating rate certificates of deposits, promissory notes and other investments are stated at cost less provision for any permanent diminution in value.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.

**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(10) Property, plant and equipment and depreciation**

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

Freehold land, buildings in progress and renovations in progress are not depreciated. Other property, plant and equipment are depreciated on a straight line basis over their estimated useful lives at the following annual depreciation rates:

Leasehold land	Amortised over periods of the respective leases which range from 18 to 901 years
Buildings, renovations and improvements	2% to 20% or lease period
Furniture, fittings, equipment and software	7 <sup>1</sup> / <sub>2</sub> % to 33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	20% to 25%

**(11) Forward exchange contracts**

Unmatured forward exchange contracts are valued at forward rates as at balance sheet date, applicable to their respective dates of maturity, and unrealised gains and losses are recognised in the income statement for the year.

**(12) Financial futures**

Financial futures contracts are valued at the closing market prices as at balance sheet date. The resulting profits and losses are included in the income statement.

**(13) Bills and acceptances payable**

Bills and acceptances payable represent the banking subsidiary companies' own bills and acceptances rediscounted and outstanding in the market.

**(14) Amount due to Cagamas**

In the normal course of banking operations, the banking subsidiary companies sell loans to Cagamas Berhad but undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudence. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the balance sheet.

**(15) Interest rate swaps, futures, forward and option contracts**

The banking subsidiary companies act as intermediaries with counterparties who wish to swap their interest obligations. These subsidiary companies also use interest rate swaps, futures, forward and option contracts in their trading account activities and in overall interest rate risk management.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that qualify as hedges are deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expense.

Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current year using the mark-to-market method, and are included in the income statement.

**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****(16) Currency conversion and translation**

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating to those ruling at that date. Gains or losses on foreign exchange transactions are recognised as income or expenses in the period in which they arise.

The results of foreign operations, subsidiary and associated companies are translated into the Group's reporting currency at average exchange rates for the financial year and the balance sheets are translated at the exchange rates ruling on 30 June. Exchange differences arising from the translation of the net investment in foreign operations are charged to retained profits in shareholders' equity.

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

Foreign currency	<u>2002</u> RM	<u>2001</u> RM
1 US Dollar	3.80	3.80
1 Singapore Dollar	2.16	2.10

**(17) Deferred taxation**

Provision is made for deferred taxation using the liability method in respect of all material timing differences between accounting and taxable profits, except where such differences are not expected to reverse in the foreseeable future. The tax effect of timing differences that result in a debit balance or a debit to the deferred taxation balance is recognised where there is a reasonable expectation of its realisation.

**(18) Repurchase agreements**

Securities purchased under resale agreements are securities which the banking subsidiary companies had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the banking subsidiary companies had sold from their portfolios, with a commitment to repurchase at future dates. The commitment to repurchase the securities is reflected as a liability on the balance sheet.

**(19) General insurance underwriting**

General insurance underwriting results are determined after taking into account provision for unearned premium and outstanding claims.

Provision or reserves for unearned premiums are calculated in accordance with the fixed percentage method or time apportionment method, where applicable. Provision is made for outstanding claims based on the estimated cost of claims, less reinsurance recoveries in respect of claims notified and include claims incurred but not reported by the balance sheet date ('IBNR'). Provision for IBNR is computed using a mathematical method of estimation and is based on an actuarial valuation carried out by an independent actuarial firm.



**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(20) Leasing, hire purchase and block discounting business**

Finance charges earned from leasing, hire purchase and block discounting activities are recognised over the period of the leasing and hire purchase contracts in proportion to the net funds invested.

**(21) Finance lease - Assets sold under lease**

The leasing subsidiary company has adopted the financing method of accounting for leases. Under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned income. Lease income is recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return.

**(22) Operating lease - Assets purchased under lease**

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

**(23) Other Provisions**

Provisions other than non-performing debts and provision for outstanding claims are recognised by the Group when all of the following conditions have been met:

- (i) the Group has a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

Provision for restructuring expenses mainly comprise professional fees and other costs relating to the corporate restructuring exercises undertaken and are recognised in the year in which the Group becomes legally or constructively committed to payment.

**(24) Cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances and short term deposit, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(25) Properties under development**

Properties under development comprise land and related development expenditure and are stated at cost less provision for permanent diminution in value.

Borrowing costs incurred on external borrowings in respect of developing the properties are capitalised as part of development expenditure until the development is completed or active development is suspended or has ceased.

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**RASHID HUSSAIN BERHAD**  
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**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(26) Real property assets**

Real property assets are intended for sale and comprise land and the related development expenditure. Real property assets are stated at cost less provision for permanent diminution in value.

Borrowing costs incurred on external borrowings in respect of developing the properties are capitalised as part of development expenditure until the development is completed or active development is suspended or has ceased.

**(27) Dividends**

Dividends on ordinary shares are recognised as liabilities when declared.

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**RASHID HUSSAIN BERHAD**  
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**BALANCE SHEETS AS AT 30 JUNE 2002**

	Note	2002 RM'000	Group 2001 RM'000	2002 RM'000	Company 2001 RM'000
<b>ASSETS</b>					
Cash and short term funds	3	4,338,869	4,128,968	22,762	31,632
Securities purchased under resale agreements		11,480	-	-	-
Deposits and placements with financial institutions	4	315,547	1,239,372	-	-
Dealing securities	5	5,311,395	4,761,645	-	-
Investment securities	6	5,871,333	5,323,145	16,586	17,342
Loans, advances and financing	7	37,761,042	38,406,718	-	-
Clients' and brokers' balances	8	205,551	105,480	-	-
Investments in subsidiary companies	9	-	-	3,617,550	3,822,450
Investments in associated companies	10	30,415	49,796	-	-
Amount recoverable from Danaharta	11	87,893	184,844	-	-
Tax recoverable		40,621	70,718	14,094	49,709
Deferred taxation assets	12	153,093	-	-	-
Other assets	13	316,935	418,322	4,917	2,431
Statutory deposits	14	1,053,760	1,019,889	-	-
Unrealised loss on translation of foreign currency loans	15	-	51,040	-	51,040
Goodwill	16	1,647,617	1,760,515	-	-
Properties under development	17	-	349,931	-	-
Real property assets	18	423,714	93,651	-	-
Property, plant and equipment	19	881,692	843,934	235	318
<b>Total assets</b>		<b>58,450,957</b>	<b>58,807,968</b>	<b>3,676,144</b>	<b>3,974,922</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Deposits from customers	20	37,278,604	37,881,299	-	-
Deposits and placements of banks and financial institutions	21	4,741,676	4,154,246	-	-
Obligations on securities sold under repurchase agreements		2,747,461	1,834,827	-	-
Amount due to Cagamas		318,996	299,846	-	-
Bills and acceptances payable		3,693,147	4,768,815	-	-
Clients' and brokers' balances		224,319	93,830	-	-
Other liabilities	22	972,461	1,081,649	12,966	199,661
Taxation		281,333	497,782	-	-
Deferred taxation liabilities	12	-	4,285	-	-
Borrowings	26	4,048,868	3,842,796	2,986,050	2,747,778
Irredeemable Non-cumulative Convertible Preference Shares ('INCPS')	27	1,104,469	1,104,469	-	-
		55,411,334	55,563,844	2,999,016	2,947,439
Minority interests		2,939,599	2,860,417	-	-
<b>Total liabilities</b>		<b>58,350,933</b>	<b>58,424,261</b>	<b>2,999,016</b>	<b>2,947,439</b>

The principal accounting policies set out on pages 47 to 53 and notes on pages 62 to 108 form an integral part of these financial statements.

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**RASHID HUSSAIN BERHAD**  
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**BALANCE SHEETS AS AT 30 JUNE 2002 (CONTINUED)**

	Note	2002 RM'000	Group 2001 RM'000	2002 RM'000	Company 2001 RM'000
Share capital	28	463,646	463,472	463,646	463,472
Non-distributable reserves	29	1,326,678	1,285,552	902,409	902,240
Accumulated loss		(1,690,300)	(1,365,317)	(688,927)	(338,229)
Total shareholders' equity		<u>100,024</u>	<u>383,707</u>	<u>677,128</u>	<u>1,027,483</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>58,450,957</u>	<u>58,807,968</u>	<u>3,676,144</u>	<u>3,974,922</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	38	<u>33,240,024</u>	<u>33,977,975</u>	<u>-</u>	<u>-</u>

The principal accounting policies set out on pages 47 to 53 and notes on pages 62 to 108 form an integral part of these financial statements.

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**RASHID HUSSAIN BERHAD**  
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**INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002**

	Note	2002 RM'000	Group 2001 RM'000	2002 RM'000	Company 2001 RM'000
Interest income	30	2,571,289	2,825,724	26,084	23,883
Interest expense	31	(1,376,612)	(1,544,866)	(207,244)	(192,267)
Net interest income/(expense)		1,194,677	1,280,858	(181,160)	(168,384)
Income from SPI		70,565	48,407	-	-
		1,265,242	1,329,265	(181,160)	(168,384)
Non-interest income	32	551,440	534,868	34,693	21,087
Net income/(expense)		1,816,682	1,864,133	(146,467)	(147,297)
Overhead expenses	33	(1,041,521)	(1,045,797)	(217,080)	(59,841)
Operating profit/(loss) before loan and financing loss and provision		775,161	818,336	(363,547)	(207,138)
Loan and financing loss and provision	35	(773,271)	(547,286)	-	-
Operating profit/(loss)		1,890	271,050	(363,547)	(207,138)
Share of the profit/(loss) of an associated company		2,861	(3,315)	-	-
Profit/(loss) before taxation and zakat		4,751	267,735	(363,547)	(207,138)
Taxation and zakat	36	(113,881)	(204,806)	12,849	(1,368)
Share of taxation of an associated company		(752)	-	-	-
(Loss)/profit after taxation and zakat		(109,882)	62,929	(350,698)	(208,506)
Minority interests		(159,761)	(261,007)	-	-
Loss after taxation, zakat and minority interests		(269,643)	(198,078)	(350,698)	(208,506)
Loss per share (sen)					
- basic	37	(63.5)	(48.1)		
- diluted	37	N/A	N/A		

The principal accounting policies set out on pages 47 to 53 and notes on pages 62 to 108 form an integral part of these financial statements.

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**RASHID HUSSAIN BERHAD**  
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## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

Group	Note	2002 RM'000	2001 RM'000
<b>SHARE CAPITAL</b>	28		
At the beginning of the financial year		463,472	463,472
Exercise of Warrants 1999/2002 (now known as Warrants 1999/2009)		5	-
Exercise of Warrants 2001/2002 (now known as Warrants 2001/2007)		169	-
At the end of the financial year		<u>463,646</u>	<u>463,472</u>
<b>SHARE PREMIUM</b>	29		
At the beginning of the financial year		887,095	887,095
Arising from ordinary shares issued under:			
Warrants 1999/2002 (now known as Warrants 1999/2009)		17	-
Warrants 2001/2002 (now known as Warrants 2001/2007)		152	-
Conversion of Warrants		15	-
At the end of the financial year		<u>887,279</u>	<u>887,095</u>
<b>RESERVE FUNDS</b>	29		
At the beginning of the financial year		383,312	311,583
Currency translation differences		-	(36)
Transfer in respect of statutory requirements		40,957	71,765
At the end of the financial year		<u>424,269</u>	<u>383,312</u>
<b>CAPITAL RESERVE</b>	29		
At the beginning of the financial year		15,145	13,227
Issue of Warrants 2001/2002 (now known as Warrants 2001/2007)		-	2,173
Warrants issuance expenses written off		-	(255)
Conversion of Warrants		(15)	-
At the end of the financial year		<u>15,130</u>	<u>15,145</u>
<b>ACCUMULATED LOSS</b>			
At the beginning of the financial year		(1,365,317)	(1,056,842)
Loss after taxation, zakat and minority interests		(269,643)	(198,078)
Transfer in respect of statutory requirements		(40,957)	(71,765)
Translation reserve		10,292	(13,991)
INCPS dividends declared by a subsidiary company		(24,675)	(24,641)
At the end of the financial year		<u>(1,690,300)</u>	<u>(1,365,317)</u>
<b>Total shareholders' equity</b>		<u>100,024</u>	<u>383,707</u>

The principal accounting policies set out on pages 47 to 53 and notes on pages 62 to 108 form an integral part of these financial statements.

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

<u>Company</u>	<u>Note</u>	<u>2002</u> <u>RM'000</u>	<u>2001</u> <u>RM'000</u>
<b>SHARE CAPITAL</b>	<b>28</b>		
At the beginning of the financial year		463,472	463,472
Exercise of Warrants 1999/2002 (now known as Warrants 1999/2009)		5	-
Exercise of Warrants 2001/2002 (now known as Warrants 2001/2007)		169	-
At the end of the financial year		<u>463,646</u>	<u>463,472</u>
<b>SHARE PREMIUM</b>	<b>29</b>		
At the beginning of the financial year		887,095	887,095
Arising from ordinary shares issued under: Warrants 1999/2002 (now known as Warrants 1999/2009)		17	-
Warrants 2001/2002 (now known as Warrants 2001/2007)		152	-
Conversion of Warrants		15	-
At the end of the financial year		<u>887,279</u>	<u>887,095</u>
<b>CAPITAL RESERVE</b>	<b>29</b>		
At the beginning of the financial year		15,145	13,227
Issue of Warrants 2001/2002 (now known as Warrants 2001/2007)		-	2,173
Warrants issuance expenses written off		-	(255)
Conversion of Warrants		(15)	-
At the end of the financial year		<u>15,130</u>	<u>15,145</u>
<b>ACCUMULATED LOSS</b>			
At the beginning of the financial year		(338,229)	(129,723)
Loss after taxation		(350,698)	(208,506)
At the end of the financial year		<u>(688,927)</u>	<u>(338,229)</u>
Total shareholders' equity		<u>677,128</u>	<u>1,027,483</u>

The principal accounting policies set out on pages 47 to 53 and notes on pages 62 to 108 form an integral part of these financial statements.

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**RASHID HUSSAIN BERHAD**  
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**CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002**

<u>Group</u>	<u>2002</u> RM'000	<u>2001</u> RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat	4,751	267,735
Adjustments for investing and financing items not involving movement of cash and cash equivalents:		
Gain on disposal of unquoted shares in a subsidiary company	-	(500)
Gain on sale of investment securities	(22,995)	(66,168)
Share of (profit)/loss of an associated company	(2,861)	3,315
Depreciation of property, plant and equipment	93,844	101,505
Accretion of discount less amortisation of premium for investment securities	(2,580)	(32,072)
Amortisation of goodwill	112,898	110,201
Gain on disposal of property, plant and equipment	(6,459)	(2,114)
Property, plant and equipment written off	2,176	4,554
Amortisation of unrealised loss on translation of foreign currency loans	51,040	51,040
Loan and financing loss and provision	783,064	605,365
Interest-in-suspense	362,271	252,246
(Writeback of)/Provision for diminution in value of investment securities	(16,529)	9,324
Provision for diminution in value of real property assets	19,817	-
Interest income from investment securities	(232,510)	(252,724)
Loss from sale of real property asset	-	1,605
Unrealised gain on exchange differences	(7,884)	(1,490)
Operating profit before working capital changes	1,138,043	1,051,822
(Increase)/decrease in operating assets		
Securities purchased under resale agreements	(11,480)	197,780
Deposits and placement with financial institutions	923,825	(218,456)
Dealing securities	(549,750)	(188,789)
Loans, advances and financing	(1,237,336)	(2,495,399)
Clients' and brokers' balances	(100,071)	194,553
Other assets	95,356	971,970
Statutory deposits	(33,871)	214,951
	224,716	(271,568)
Increase/(decrease) in operating liabilities		
Deposits from customers	(602,695)	1,071,523
Deposits and placements of banks and financial institutions	587,430	(373,844)
Obligations on securities sold under repurchase agreements	912,634	(107,420)
Amount due to Cagamas	19,150	(318,795)
Bills and acceptances payable	(1,075,668)	414,318
Clients' and brokers' balances	130,489	(171,834)
Other liabilities	137,713	(368,738)
	109,053	145,210

The principal accounting policies set out on pages 47 to 53 and notes on pages 62 to 108 form an integral part of these financial statements.



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**RASHID HUSSAIN BERHAD**  
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## CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002 (CONTINUED)

	Note	2002 RM'000	2001 RM'000
<u>Group (continued)</u>			
Cash generated from/(used in) operating activities		333,769	(126,358)
Taxation and zakat paid		(467,262)	(124,721)
Taxation recovered		60,291	18,897
Net cash used in operating activities		<u>(73,202)</u>	<u>(232,182)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Dividend from an associated company		21,490	3,531
Additional investment in an associated company		-	(150)
Purchase net of proceeds from sale of investment securities		293,059	133,429
Purchase of property, plant and equipment		(139,310)	(103,643)
Proceeds from disposal of property, plant and equipment		16,209	5,105
Interest received from investment securities		249,464	268,964
Acquisition of a subsidiary company net of cash acquired		-	(332,328)
Proceeds from disposal of a subsidiary company		100	1,000
Properties under development		-	(33,515)
Progress billings received		2,704	11,378
Net cash generated from/(used in) investing activities		<u>443,716</u>	<u>(46,229)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital		343	-
Drawdown of borrowings		535,561	585,890
Repayment of borrowings		(582,780)	(684,973)
Drawdown of bonds		-	150,000
Dividend paid to minority interests in subsidiary companies		(50,120)	(39,747)
INCPS dividends paid to other shareholders by a subsidiary company		(63,617)	(63,530)
Proceeds from issuance of warrants		-	1,918
Proceeds from rights issue of a subsidiary company		-	1,500
Net cash used in financing activities		<u>(160,613)</u>	<u>(48,942)</u>
Net increase/(decrease) in cash and cash equivalents		209,901	(327,353)
Cash and cash equivalents at the beginning of the financial year		4,128,968	4,456,321
Cash and cash equivalents at the end of the financial year	3	<u>4,338,869</u>	<u>4,128,968</u>
The following cash and cash equivalents held in BNM and KLSE regulated subsidiary companies are not readily available for use by the Group:			
Cash and short-term funds of banking subsidiaries for utilisation in the ordinary course of banking business		4,230,280	3,951,803
Cash and short-term funds pledged as security for borrowings		18,087	20,000
Account held in trust for clients		35,168	19,773
		<u>4,283,535</u>	<u>3,991,576</u>

The principal accounting policies set out on pages 47 to 53 and notes on pages 62 to 108 form an integral part of these financial statements.

Company No.

163211	V
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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

Company	Note	2002 RM'000	2001 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(363,547)	(207,138)
Adjustments for investing and financing items and items not involving the movement of cash and cash equivalents :			
Depreciation of property, plant and equipment		83	85
Interest income		(26,084)	(23,883)
Interest expense		207,244	192,268
Dividend income		(35,287)	(20,933)
Amortisation of unrealised loss on translation of foreign currency loans		51,040	51,040
Provision for bad and doubtful debts		1,296	-
Provision for diminution in value of investment securities		756	-
Provision for diminution in value of investments in subsidiary companies		149,207	-
Operating loss before working capital changes		(15,292)	(8,561)
Increase in inter-company balances		54,397	60,683
Increase in current assets		(2,486)	(31)
Increase in current liabilities		4,376	4,030
Cash generated from operations		40,995	56,121
Taxation recovered		58,064	-
Net cash generated from operating activities		99,059	56,121
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest income received		26,104	23,883
Dividend from subsidiary companies		25,659	73,234
Dividend from investment securities		28	39
Net cash generated from investing activities		51,791	97,156
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital		343	-
Interest expense paid		(150,636)	(139,428)
Proceeds from issuance of warrants		-	1,918
Drawdown of borrowings		223,581	247,920
Repayment of borrowings		(233,008)	(247,096)
Net cash used in financing activities		(159,720)	(136,686)
Net (decrease)/increase in cash and cash equivalents		(8,870)	16,591
Cash and cash equivalents at the beginning of the financial year		31,632	15,041
Cash and cash equivalents at the end of the financial year	3	22,762	31,632

The principal accounting policies set out on pages 47 to 53 and notes on pages 62 to 108 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002

### 1 PROPOSED GROUP RESTRUCTURING

#### (i) Proposed Group Restructuring Scheme

Further to the announcement by the Company on 23 April 2001 in relation to the approval of the Minister of Finance ('MOF') via Bank Negara Malaysia ('BNM') for the Company to enter into negotiations with Utama Banking Group Berhad ('UBG') for the proposed merger of the RHB and UBG banking groups, AmMerchant Bank Berhad (*formerly known as Arab-Malaysian Merchant Bank Berhad*) ('AmMerchant Bank'), on behalf of the Company, RHB Capital Berhad ('RHB Capital') and RHB Sakura Merchant Bankers Berhad ('RHB Sakura') ('RHB Group' or 'Group') announced on 20 March 2002, the successful conclusion of the negotiations leading to the execution of the relevant conditional agreements for the proposed merger as well as the proposed group restructuring scheme of the RHB Group ('Proposed Group Restructuring Scheme'). The Proposed Group Restructuring Scheme, which has been approved by the MOF via letters dated 11 March 2002 and 12 March 2002 from BNM to the Company and approved by the respective Boards of Directors of the Company, RHB Capital, RHB Bank Berhad ('RHB Bank') and RHB Sakura, involves the following proposals as set out below:

- (a) **Proposed Acquisition of Bank Utama (Malaysia) Berhad ('Bank Utama') and Proposed Merger of Bank Utama with RHB Bank**

On 20 March 2002, the Company, RHB Bank, Cahya Mata Sarawak Berhad and UBG entered into a conditional sale and purchase agreement for the proposed acquisition of the entire equity interest of Bank Utama comprising 800,000,000 ordinary shares of RM1.00 each by RHB Bank from UBG based on 2.0 times the adjusted Net Tangible Assets ('NTA') value of Bank Utama as at the last day of the calendar month preceding the fulfilment of all the conditions precedent.

The purchase consideration is proposed to be satisfied by the Company on behalf of RHB Bank through the issuance of new RHB Irredeemable Convertible Unsecured Loan Stocks-A ('RHB ICULS-A'), new RHB Irredeemable Convertible Unsecured Loan Stocks-B ('RHB ICULS-B') and cash. The amount due and owing by RHB Bank to the Company will be repaid through the proposed issuance of an equivalent amount of Tier-II RHB Bank subordinated-debt ('RHB Bank Sub-Debt') to the Company, the actual amount of which will be determined upon finalisation of the purchase consideration following a due diligence exercise ('Proposed Acquisition of Bank Utama').

The RHB ICULS-A to be issued to UBG pursuant to the Proposed Acquisition of Bank Utama shall be offered to all the shareholders of the Company by UBG by way of a restricted offer for sale on a renounceable basis after the completion of the Proposed Acquisition of Bank Utama on the basis of one (1) RHB ICULS-A for every one (1) existing RHB share held as at the entitlement date to be determined ('Proposed Restricted Offer for Sale').

Upon completion of the Proposed Acquisition of Bank Utama, RHB Bank will merge the commercial banking business of Bank Utama with RHB Bank.

On 24 June 2002, AmMerchant Bank announced on behalf of the Group that parties to the conditional sale and purchase agreement dated 20 March 2002 for the Proposed Acquisition of Bank Utama ('Conditional Bank Utama SPA'), namely Cahya Mata Sarawak Berhad, UBG, the Company and RHB Bank have mutually agreed to vary the Conditional Bank Utama SPA to extend the period within which applications to regulatory authorities are to be submitted, from sixty five (65) business days ending on 26 June 2002, by a further 30 days to 26 July 2002, pending finalisation of the due diligence report for the determination of the adjusted NTA value of Bank Utama as at 31 December 2001.

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 1 PROPOSED GROUP AND DEBT RESTRUCTURING (CONTINUED)

#### (i) Proposed Group Restructuring Scheme (continued)

##### (a) Proposed Acquisition of Bank Utama (Malaysia) Berhad ('Bank Utama') and Proposed Merger of Bank Utama with RHB Bank (continued)

On 24 July 2002, AmMerchant Bank, on behalf of the RHB Group announced that following a due diligence exercise carried out by KPMG on Bank Utama, based on the audited NTA of Bank Utama as at 31 December 2001, the Company, RHB Bank and UBG have mutually arrived at the adjusted NTA of Bank Utama as at 31 December 2001 ('First NTA') of approximately RM783.6 million. The indicative purchase price based on the First NTA is RM1.567 billion. KPMG shall continue to undertake due diligence review of Bank Utama until the date of the completion of accounts (i.e. when all conditions precedent for the Proposed Acquisition of Bank Utama have been fulfilled) for the purposes of determining the final NTA and in turn the purchase consideration for the acquisition of Bank Utama by RHB Bank ('Final Purchase Price').

Following the finalisation of the funding requirements by RHB Bank and also taking into account the prevailing market conditions and interest rates, the RHB Bank Sub-Debt is proposed to comprise the following:

- i) RM800 million nominal value ten (10) year subordinated-debt ('RM Sub-Debt') and
- ii) USD200 million nominal value ten (10) year bonds (RM760 million equivalent) with an option to increase the issue size to USD250 million depending on demand and market conditions and the amount of the Final Purchase Price ('USD Sub-Debt').

AmMerchant Bank, on behalf of the Company and RHB Capital announced on 1 August 2002 that consequential to the 30 days extension of the period within which applications to the relevant authorities are to be submitted, as announced on 24 June 2002, the parties to the Conditional Bank Utama SPA have mutually agreed to vary the Conditional Bank Utama SPA as follows:

- i) the period within which the notice for convening the extraordinary general meeting of the respective companies is to be issued, is extended from the existing 90 business days from the date of the Conditional Bank Utama SPA, to 120 business days from the date of the Conditional Bank Utama SPA; and
- ii) the cut-off date by which all conditions precedent are to be fulfilled, is extended from the existing 180 days from the date of the Conditional Bank Utama SPA, to 210 days from the date of the Conditional Bank Utama SPA.

Additionally, given that the application to the Kuala Lumpur Stock Exchange ('KLSE') can only be submitted after all approvals from the other relevant authorities have been obtained, the said application to the KLSE for the listing of and quotation for the new RHB ICULS-A, new RHB ICULS-B and new RHB ordinary shares of RM1.00 each arising from the conversion of RHB ICULS-A and RHB ICULS-B thereof, is to be submitted no later than thirty (30) days after approvals from all relevant authorities have been received, instead of within sixty five (65) business days from the date of the Conditional Bank Utama SPA.

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 1 PROPOSED GROUP AND DEBT RESTRUCTURING (CONTINUED)

#### (i) Proposed Group Restructuring Scheme (continued)

##### (b) Proposed Transfer and Acquisition of RHB Leasing Sdn Bhd ('RHB Leasing') and RHB Capital Properties Sdn Bhd ('RHBCP')

- i) On 20 March 2002, RHB Delta Finance Berhad ('RHB Delta Finance'), a wholly-owned subsidiary of RHB Bank entered into a conditional share sale agreement with RHB Capital and China Development Industrial Bank Inc. ('CDIB') (collectively referred to as 'Vendors') for the proposed transfer of the 70% equity interest in RHB Leasing comprising 7,000,000 ordinary shares of RM1.00 each from RHB Capital to RHB Delta Finance and proposed acquisition of 30% equity interest in RHB Leasing comprising 3,000,000 ordinary shares of RM1.00 each by RHB Delta Finance from CDIB for a total cash consideration based on 1.1 times the audited NTA value of RHB Leasing as at the last day of the calendar month preceding the date of fulfilment of all the conditions precedent ('Proposed Transfer of RHB Leasing' and 'Proposed Acquisition of 30% Equity Interest in RHB Leasing' respectively).

Based on the audited NTA of RHB Leasing as at 30 June 2001 of approximately RM100.3 million, the indicative cash consideration for the Proposed Transfer of RHB Leasing and the Proposed Acquisition of 30% Equity Interest in RHB Leasing are approximately RM77.2 million and RM33.1 million respectively.

- ii) On 20 March 2002, RHB Capital and RHB Bank entered into a conditional share sale agreement for the proposed transfer of the entire equity interest in RHBCP comprising 21,800,000 ordinary shares of RM1.00 each from RHB Capital to RHB Bank based on 1.0 time the audited NTA value of RHBCP as at the last day of the calendar month preceding the date of fulfilment of all the conditions precedent. Based on the audited NTA value of RHBCP of RM29.2 million as at 30 June 2001, the indicative transfer consideration shall be RM29.2 million of which indicatively RM16.7 million is proposed to be satisfied through the assumption by RHB Bank of an existing inter-company debt owing by RHB Capital to RHBCP and the balance by cash.

##### (c) Proposed Scheme of Arrangement to privatise RHB Sakura

The RHB Group announced on 20 March 2002 the proposed privatisation of RHB Sakura to be carried out via a scheme of arrangement pursuant to Sections 176 and 178 of the Companies Act, 1965 whereby RHB Capital will acquire the remaining 165,888,605 ordinary shares of RM1.00 each (not held by RHB Capital) representing 49% equity interest in RHB Sakura for a consideration of RM4.00 per RHB Sakura share to be satisfied through RM2.00 in cash and the proposed issuance of RM2.00 nominal amount of redeemable unsecured bonds in RHB Capital ('RHB Capital Bonds') for every one (1) RHB Sakura share acquired ('Proposed SOA').

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 1 PROPOSED GROUP AND DEBT RESTRUCTURING (CONTINUED)

#### (i) Proposed Group Restructuring Scheme (continued)

##### (c) Proposed Scheme of Arrangement to privatise RHB Sakura (continued)

AmMerchant Bank, on behalf of the RHB Group, announced on 24 July 2002 that the consideration for the Proposed SOA has been revised from RM2.00 cash and RM2.00 RHB Capital Bonds for every one (1) RHB Sakura share held to RM4.00 cash for every one (1) RHB Sakura share held. RHB Capital also proposes to increase the quantum of the RHB Capital Bonds to RM500 million from approximately RM331.8 million announced previously. The proceeds from the issuance of the RHB Capital Bonds are proposed to be utilised as follows:

- RM331.8 million to satisfy part of the total cash consideration for the Proposed SOA;
- RM150 million to redeem the existing RHB Capital RM150 million bonds which will mature on 31 May 2004 ('Bonds 01/04'); and
- The balance of RM18.2 million for working capital purposes.

The increase in the amount of the RHB Capital Bonds from RM331.8 million to RM500 million will not have any material financial effect on RHB Capital given that the additional amount of RM162.2 million will be substantially utilised for the early redemption of RHB Capital's existing Bonds 01/04 of RM150 million.

##### (d) Proposed Acquisition of Straits Asset Holdings Sdn Bhd ('SAHSB') and Proposed Transfer of Securities and Securities Related Business Entities

- i) On 20 March 2002, RHB Marketing Services Sdn Bhd ('RHB Marketing Services'), a wholly-owned subsidiary of RHB Capital, G.K. Goh Holdings Ltd ('G.K. Goh') and RHB Capital entered into a conditional sale of shares agreement for the proposed acquisition of the remaining 37% equity interest in SAHSB comprising 16,667,000 ordinary shares of RM1.00 each by RHB Marketing Services from G.K. Goh for a cash consideration based on 1.4 times of 37% of the audited NTA value of SAHSB and its subsidiaries ('SAHSB Group') as at the last day of the calendar month preceding the date of fulfilment of all the conditions precedent to be paid in cash by RHB Capital on behalf of RHB Marketing Services to G.K. Goh ('Proposed Acquisition of SAHSB'). SAHSB will become a wholly-owned subsidiary company of RHB Marketing Services upon completion of the Proposed Acquisition of SAHSB.

Based on the audited NTA of the SAHSB Group as at 30 June 2001 of RM95.3 million, the indicative cash purchase consideration for the Proposed Acquisition of SAHSB shall be RM49.4 million.

It is intended that the stockbroking business of Straits Securities Sdn Bhd (which is a wholly-owned subsidiary of SAHSB) will be merged with the stockbroking business of Rashid Hussain Securities Sdn Bhd subsequent to the completion of the Proposed Acquisition of SAHSB.

- ii) RHB Capital proposes to enter into a conditional sale and purchase agreement to transfer its securities and securities related business entities ('Securities Companies') to RHB Sakura (which would have become a wholly-owned subsidiary of RHB Capital upon completion of the Proposed SOA) based on 1.0 time to 1.5 times the audited NTA value of the respective entities as at the last day of the calendar month preceding the date of fulfilment of all the conditions precedent. RHB Sakura proposes to satisfy the transfer consideration through the proposed issuance of RM165 million RHB Sakura Tier II subordinated-debt ('RHB Sakura Sub-Debt') and the balance by cash.

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)**

**1 PROPOSED GROUP RESTRUCTURING (CONTINUED)**

**(i) Proposed Group Restructuring Scheme (continued)**

**(e) Proposed Voluntary Partial Offer by the Company**

On 8 February 2002, AmMerchant Bank on behalf of the Company submitted an application ('VO Application') to seek the approval of the Securities Commission ('SC') for the Company's proposal to undertake a voluntary partial take-over offer to increase its equity interest in shares and warrants of RHB Capital up to a maximum of 75% through the acquisition of up to an additional 19.6% and 54.5% of RHB Capital shares and warrants outstanding respectively ('Proposed Voluntary Partial Offer') prior to the completion of the Proposed Acquisition of Bank Utama. The consideration for the Proposed Voluntary Partial Offer is proposed to be satisfied by the issuance of new RHB shares and new RHB ICULS-B. In the VO Application, AmMerchant Bank on behalf of the Company, sought the approval of the SC for, *inter-alia*, a waiver from complying with the requirement of the Malaysian Code on Take-overs and Mergers, 1998 ('Code') to serve the notice of voluntary partial offer ('Notice') to the Board of Directors of RHB Capital upon announcement of the Proposed Voluntary Partial Offer.

In its letters dated 4 March 2002 and 13 March 2002, the SC approved the Proposed Voluntary Partial Offer and the Company's application for a waiver to serve the Notice upon the announcement of the Proposed Voluntary Partial Offer as mentioned above. In this respect, the Company will serve the Notice to the Board of Directors of RHB Capital upon the receipt of the following:

- i) the last requisite authorities' approval for the Proposed Group Restructuring Scheme; and
- ii) the approval for the Proposed Voluntary Partial Offer from the shareholders of the Company.

The SC's approval for the Proposed Voluntary Partial Offer is subject to the condition that the Company makes full disclosure in the offer document to be despatched to the RHB Capital's shareholders in respect of the effect of the Proposed Group Restructuring Scheme and the proposed disposals by Malaysian Resources Corporation Berhad ('MRCB') and Tan Sri Dato' Abdul Rashid Hussain ('TSDARH') of their stakes in the Company to UBG, on the shareholding structure of the Company and RHB Capital.

The new RHB shares to be issued pursuant to the Proposed Voluntary Partial Offer will not be entitled to the Proposed Restricted Offer for Sale of the RHB ICULS-A by UBG.

The Board of Directors of the Company ('the Board') has proposed the following indicative terms for the Proposed Voluntary Partial Offer:

- one (1) new RHB share of RM1.00 each and RM1.00 nominal amount of new RHB ICULS-B for every one (1) RHB Capital share held; and
- seven (7) new RHB shares of RM1.00 each for every twenty (20) RHB Capital warrants held.

The final terms of the Proposed Voluntary Partial Offer including the issue price and the number of new RHB shares and new RHB ICULS-B to be issued as consideration will be determined by the Board at a later stage, prior to the serving of the Notice to the Board of Directors of RHB Capital and after taking into account the then prevailing market prices.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

1 PROPOSED GROUP RESTRUCTURING (CONTINUED)

(i) Proposed Group Restructuring Scheme (continued)

(e) Proposed Voluntary Partial Offer by the Company (continued)

AmMerchant Bank, on behalf of the Company, announced on 5 July 2002, that the SC has, vide its letter dated 1 July 2002, approved the Company's application that the Company is not required to comply with Section 11(8) and Practice Note 3.1(5) of the Malaysian Code on Takeovers and Mergers, 1998 to obtain the RHB Capital's shareholders approval in respect of the Proposed Voluntary Partial Offer. The approval of the SC is subject to the following conditions:

- i) The Company makes full disclosure in its circular and the independent advice circular to shareholders of the Company the effects of the Proposed Voluntary Partial Offer and the disposal of the Company's shares held directly or indirectly by TSDARH; and
- ii) TSDARH and MRCB are not allowed to vote on the resolution in respect of the Proposed Voluntary Partial Offer at the Extraordinary General Meeting of the shareholders of the Company to be convened for the purpose of the Proposed Voluntary Partial Offer.

(f) Proposed Repayment of Borrowings by the Company and RHB Capital

Proposed repayment of the RHB Group's borrowings comprised of:

- i) RM1.0 billion by the Company consisting of the Company's existing outstanding RM800 million nominal value of 2.5% per annum redeemable secured bonds ('Bonds 97/02') and RM200 million of its short term borrowings; and
- ii) RM200 million of its short term borrowings by RHB Capital,

upon the completion of the Proposed Group Restructuring Scheme.

On 12 August 2002, AmMerchant Bank on behalf of the Company, RHB Capital and RHB Sakura announced that the Foreign Investment Committee has vide its letter dated 6 August 2002, approved the Proposed Group Restructuring Scheme.

The Proposed Group Restructuring Scheme is still subject to, *inter alia*, the approvals of the SC and the shareholders of the Company, RHB Capital, RHB Bank and RHB Sakura.

(ii) Abortion of the previous Proposed Restructuring Scheme

With regards to the announcements dated 25 September 2000 and 6 December 2000 wherein AmMerchant Bank on behalf of the RHB Group announced the details of the Group's previous proposed restructuring scheme ('Previous Scheme'), AmMerchant Bank also announced on 20 March 2002 that the Boards of Directors of the Company, RHB Capital and RHB Sakura had on 5 February 2002, 7 February 2002 and 8 February 2002 respectively passed the relevant Board resolutions to abort the Previous Scheme.



NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

1 PROPOSED GROUP RESTRUCTURING (CONTINUED)

(iii) Proposed Restructuring of the USD200 million Rashid Hussain Berhad 1.5% Per Annum Exchangeable Bonds Due 2007 ('Bonds 97/07') ('Proposed Bond Restructuring')

Following the announcement of the Proposed Group Restructuring Scheme on 20 March 2002, the Company proposed to the holders of the Bonds 97/07 ('Bondholders') to restructure the Bonds 97/07 in conjunction with the proposed restructuring of certain other borrowings of the Company.

The Bonds 97/07 which were issued by the Company on 26 June 1997 are exchangeable for ordinary shares of RHB Capital and are listed on the Luxembourg Stock Exchange. The Bonds 97/07 are constituted by a trust deed dated 26 June 1997 ('Trust Deed') between the Company and Citicorp Trustee Company Limited ('Trustee'), being the trustee for the Bondholders.

Under the terms of the Trust Deed, the Bonds 97/07 are redeemable by the Company in USD at their nominal value upon its maturity on 30 June 2007 or, if the Bondholders so elect, Bondholders may at any time, prior to maturity, exchange the Bonds 97/07 for an aggregate 49,121,000 RHB Capital ordinary shares of RM1.00 each held by the Company at a preset exchange price of RM10.25 per RHB Capital share, at a fixed exchange rate of RM2.51745 = USD1.00. In addition, under the terms of the Trust Deed, the Bondholders have a put option ('Put Option') to require the Company to redeem the Bonds 97/07 at 132.592% of its principal amount, which amounted to USD265.184 million or approximately RM1.008 billion (based on the current exchange rate of USD1.00 = RM3.80), on 30 June 2002 ('Put Option Redemption Date').

On 21 June 2002, AmMerchant Bank on behalf of the Company, announced that at a Bondholders' meeting held on the same day, Bondholders had approved the settlement of the Bonds 97/07 by way of an exchange of the Bonds 97/07 at their accreted value for approximately USD265.184 million nominal amount of Rashid Hussain Berhad new Bonds 2002/2007 ('New Bonds') with approximately 340.439 million detachable warrants ('New Warrants'). The New Warrants will entitle its holder to purchase shares of RHB Capital held by the Company at an exercise price of RM2.96 per share, by way of cash payment or the surrender for cancellation of the New Bonds at their accreted value or a combination of both.

Pending the settlement of the Bonds 97/07 by way of the New Bonds and New Warrants, the terms of the Bonds 97/07 will be amended so that any notices of redemption served by the Bondholders to exercise the Put Option on the Put Option Redemption Date will be cancelled and the Put Option Redemption Date will be extended to 31 December 2002 or such later date as may be agreed by the Company and the Trustee ('Long-Stop Date') or such earlier date on which the Company will notify the Trustee in writing that the conditions precedent to the Proposed Bond Restructuring have not been satisfied, and will not be satisfied before the Long-Stop Date ('Failure Date').

In the event that the Proposed Bond Restructuring becomes unconditional i.e. on satisfaction of all the conditions precedent on a date ('Effective Date') before the Long-Stop Date, all rights of Bondholders to exercise the Put Option will be cancelled. In the event that the Effective Date occurs on or before 31 December 2002 and the New Bonds are not issued on or before that date, the interest which will have accrued in respect of the period up to and including the interest payment date falling on 31 December 2002, shall be paid at a rate of 2.65184% per annum on the principal amount of the Bonds 97/07 outstanding.

If the Put Option becomes exercisable (either on the Long-Stop Date or the Failure Date), the Company will notify Bondholders that the period in which Bondholders must deposit a certificate and notice of redemption with any agent (as defined in the Trust Deed) has commenced and that it will expire 30 days thereafter. 15 days after the expiry of such period, the Company will be required to redeem such Bonds 97/07 at such amount as will cause the Bonds 97/07 to provide a yield to Bondholders (including interest paid and accrued) from 26 June 1997 to the date of redemption of 7.05% per annum, calculated on a semi-annual basis.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

1 PROPOSED GROUP RESTRUCTURING (CONTINUED)

(iii) Proposed Restructuring of the USD200 million Rashid Hussain Berhad 1.5% Per Annum Exchangeable Bonds Due 2007 ('Bonds 97/07') ('Proposed Bond Restructuring') (continued)

The Proposed Bond Restructuring enables the Company to defer its repayment obligations under the Bonds 97/07 and is expected to ultimately enable the redemption of the New Bonds without a significant amount of cash outlay or fund raising by the Company. Proceeds from the exercise of New Warrants, which have an exercise price that is more reflective of the current market price of RHB Capital shares, will be used to redeem the New Bonds.

(iv) Proposed Amendments to the Terms of the Trust Deed ('Proposed Amendments') and Proposed Redemption ('Proposed Redemption') of the Bonds 97/02

As mentioned in paragraph 1 (i) (f), the Proposed Group Restructuring Scheme includes the proposed repayment of the Bonds 97/02 via the exchange of the same with RM800 million nominal value of RHB Bank Tier II Subordinated Debt ('RHB Bank Sub-Debt') to be issued by RHB Bank to the Company pursuant to the Proposed Acquisition of Bank Utama by RHB Bank.

AmMerchant Bank, on behalf of the Company, announced on 24 June 2002 that holders of the Bonds 97/02 had approved the following Proposed Amendments and Proposed Redemption of the Bonds 97/02:

a) Proposed Amendments

- The extension of the maturity date of the Bonds 97/02 for a further period of six (6) months, from 25 June 2002 until 25 December 2002 ('Extended Period') and the payment of an extension fee of 0.25% of the aggregate nominal value of the Bonds 97/02 to the holders of the Bonds 97/02 on 25 June 2002.
- The increase in the interest rate on the Bonds 97/02 from 2.5% per annum to 8.5% per annum until the date of redemption of the Bonds 97/02.
- The granting of a call option on the Bonds 97/02 which will allow the Company the right, but not the obligation, to redeem the Bonds 97/02 at nominal value at any time during the Extended Period.

b) Proposed Redemption

The redemption of the Bonds 97/02 via an exchange of the Bonds 97/02 with the RM800 million RHB Bank Sub-Debt upon exercise of the call option mentioned above or, at expiration of the Extended Period on 25 December 2002, whichever is earlier.

AmMerchant Bank, on behalf of the Company, announced on 2 July 2002 that the SC has, vide its letter dated 26 June 2002, approved the Proposed Amendments and Proposed Redemption of the Bonds 97/02. Approval from BNM was obtained vide its letters dated 11 June 2002 and 21 June 2002.

The Third Supplemental Deed incorporating the Proposed Amendments and Proposed Redemption was executed on 27 June 2002.

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 2 PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company is domiciled in Malaysia. The Group is involved in commercial banking, merchant banking, offshore banking, offshore trust services, finance company business, general insurance, leasing, securities and asset management business, unit trust management and property investment and management.

There have been no significant changes in these principal activities during the financial year.

### 3 CASH AND SHORT TERM FUNDS

	Group		Company	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	795,276	605,693	106	60
Money at call and deposit placements maturing within one month	<u>3,543,593</u>	<u>3,523,275</u>	<u>22,656</u>	<u>31,572</u>
	<u>4,338,869</u>	<u>4,128,968</u>	<u>22,762</u>	<u>31,632</u>

Included in cash and balances with banks and other financial institutions of the Group are trust accounts totalling RM6,379,000 (2001: RM18,223,000) maintained by the securities subsidiary companies in trust for clients.

Included in money at call and deposit placements of the Company is RM16,587,000 (2001: RM16,000,000) pledged as security for RM800 million Redeemable Non-Convertible Bonds.

Included in money at call and deposit placements of the Group are trust accounts totalling RM28,789,000 (2001: RM1,550,000) maintained by a securities subsidiary company in trust for clients.

Money at call and deposit placements amounting to RM1,500,000 (2001: RM4,000,000) for the Group are pledged to the licensed banks concerned as securities for facilities granted to the subsidiary companies.

### 4 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group	
	<u>2002</u>	<u>2001</u>
	RM'000	RM'000
Licensed banks	291,689	1,030,154
Licensed finance companies	5,000	9,000
Other financial institutions	<u>18,858</u>	<u>200,218</u>
	<u>315,547</u>	<u>1,239,372</u>

Deposits placed with licensed banks amounting to RM4,283,000 (2001: RM1,852,000) for the Group are pledged to the licensed banks concerned as securities for facilities granted to the subsidiary companies.

Deposit and placements with financial institutions amounting to RM10,539,000 (2001: RM15,230,000) for the Group comprised the following deposits held in trust by securities subsidiary companies:

	Group	
	<u>2002</u>	<u>2001</u>
	RM'000	RM'000
Deposits held in trust for:		
- remisiers	10,539	15,210
- clients	-	20
	<u>10,539</u>	<u>15,230</u>

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 5 DEALING SECURITIES

	<u>2002</u>	<u>Group</u> <u>2001</u>
	RM'000	RM'000
Money Market Instruments:		
<u>Quoted</u>		
Malaysian government securities	421,121	862,690
Cagamas bonds	124,400	90,495
Private debt securities	365,148	189,359
Shares	8,747	27,142
Government investment issues	65,638	4,521
Other governments' securities	-	72,247
<u>Unquoted</u>		
Malaysian government treasury bills	225,825	120,113
Cagamas notes	121,665	275,804
Bank Negara Malaysia bills	1,088,232	754,074
Danamodal bonds	205,218	105,738
Danaharta bonds	-	8,289
Negotiable instruments of deposit	1,750,838	1,238,920
Bankers' acceptances and Islamic accepted bills	510,017	595,192
Promissory notes	30,219	22,112
Private debt securities	394,327	394,949
Total dealing securities	<u>5,311,395</u>	<u>4,761,645</u>
Market Value of Quoted Money Market Instruments:		
Malaysian government securities	425,967	867,770
Cagamas bonds	125,504	90,781
Private debt securities	370,580	195,120
Shares	8,747	27,206
Government investment issues	65,994	4,523
Other governments' securities	-	72,320

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**RASHID HUSSAIN BERHAD**

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 6 INVESTMENT SECURITIES

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000
<b>Money Market Instruments:</b>				
<u>Quoted</u>				
Malaysian government securities	687,507	429,816	-	-
Cagamas bonds and Cagamas Mudharabah bonds	741,855	934,675	-	-
Malaysian government investment certificates	168,540	168,540	-	-
Other governments' securities	164,665	261,400	-	-
Government investment issues	158,109	-	-	-
Other bonds	-	136,773	-	-
<u>Unquoted</u>				
Malaysian government treasury bills	48,724	228,461	-	-
Malaysian government bonds	182,655	45,591	-	-
Singapore government treasury bills	42,142	116,855	-	-
Thailand government treasury bills	72,302	-	-	-
Cagamas notes	-	106,233	-	-
Danamodal bonds	70,856	-	-	-
Danaharta bonds	212,127	157,886	-	-
Bankers' acceptances and Islamic accepted notes	247,109	513,562	-	-
Negotiable instruments of deposits	346,109	170,445	-	-
Promissory notes	-	6,572	-	-
Private debt securities	1,476,485	1,045,678	-	-
Other governments' securities	120,616	162,199	-	-
	<u>4,739,801</u>	<u>4,484,686</u>	<u>-</u>	<u>-</u>
<b>Quoted Securities:</b>				
<u>In Malaysia</u>				
Bonds	65,854	65,854	-	-
Warrants	22,428	26,923	16,084	16,084
Corporate loans stock	47,632	46,932	-	-
Shares	102,393	115,092	-	-
<u>Outside Malaysia</u>				
Bonds	42,013	87,477	-	-
Floating rate notes	117,055	127,620	-	-
Shares	3,227	1,400	-	-
<b>Unquoted Securities:</b>				
<u>In Malaysia</u>				
Promissory notes	375	375	-	-
Floating rate notes	104,880	75,525	-	-
Bonds	12,951	12,285	-	-
Private debt securities	71,967	45,563	-	-
Corporate loans stock	278,338	28,497	-	-
Shares	310,781	8,815	1,258	1,258
Others	100	170,024	-	-
<u>Outside Malaysia</u>				
Bonds	30,400	19,000	-	-
Floating rate notes	-	11,280	-	-
Shares	2,075	4,953	-	-
Private debt securities	29,884	-	-	-
	<u>5,982,154</u>	<u>5,332,301</u>	<u>17,342</u>	<u>17,342</u>
Accretion of discount less amortisation of premium	31,223	112,417	-	-
Provision for diminution in value of investment securities	(142,044)	(121,573)	(756)	-
<b>Total investment securities</b>	<u><u>5,871,333</u></u>	<u><u>5,323,145</u></u>	<u><u>16,586</u></u>	<u><u>17,342</u></u>

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 6 INVESTMENT SECURITIES (CONTINUED)

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
(i) Market Value of Quoted Money Market Instruments and Quoted Securities:				
<u>In Malaysia</u>				
Malaysian government securities	696,208	456,460	-	-
Cagamas bonds and Cagamas Mudharabah bonds	736,051	935,346	-	-
Malaysian government investment certificates	171,456	171,945	-	-
Bonds	36,868	167,702	-	-
Warrants	20,133	28,312	17,119	24,286
Corporate loans stock	33,974	23,792	-	-
Shares	59,550	69,401	-	-
Government investment issues	164,985	-	-	-
<u>Outside Malaysia</u>				
Other governments' securities	169,612	105,839	-	-
Bonds	18,635	87,508	-	-
Floating rate notes	61,783	59,674	-	-
Shares	605	954	-	-
(ii) The maturity structure of Money Market Instruments held for investment is as follows:				
Maturing within one year	1,494,841	1,538,906	-	-
One year to three years	1,583,681	1,751,589	-	-
Three years to five years	499,144	262,147	-	-
Over five years	1,162,135	932,044	-	-
	<u>4,739,801</u>	<u>4,484,686</u>	<u>-</u>	<u>-</u>

Included in unquoted shares is RM1,500,000 of a third party redeemable preference shares with a nominal value of RM1.00 each which were charged to another third party as part of a financing transaction facilitated by subsidiary companies.

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

7

### LOANS, ADVANCES AND FINANCING

	<u>2002</u> RM'000	<u>Group</u> <u>2001</u> RM'000
Overdrafts	6,154,966	6,332,328
Term loans		
- fixed rate	1,730,500	1,388,852
- floating rate	23,637,097	23,765,106
Credit card receivables	226,526	179,289
Bills receivable	866,091	643,686
Trust receipts	545,349	616,073
Staff loans		
- directors	1,194	434
- others	289,157	243,277
Block financing	10,992	21,948
Floor stocking	7,202	1,244
Factoring debtors	-	1,505
Hire purchase debtors	2,196,287	1,622,247
Lease debtors		
- lease receivables	470,230	515,004
- guaranteed residual value	-	47,880
Revolving credit	1,271,824	1,240,911
Claims on customers under acceptance credits	4,430,052	5,072,383
	<u>41,837,467</u>	<u>41,692,167</u>
Less: Unearned interest and income	(352,202)	(268,554)
Gross loans, advances and financing	41,485,265	41,423,613
Provision for bad and doubtful debts		
- Specific	(2,069,297)	(1,570,805)
- General	(698,441)	(711,652)
Interest-in-suspense/income-in-suspense	(956,485)	(734,438)
Net loans, advances and financing	<u>37,761,042</u>	<u>38,406,718</u>

(i) The maturity structure of loans, advances and financing is as follows:

Maturing within one year	22,072,223	23,160,869
One year to three years	4,344,291	3,372,167
Three years to five years	3,259,727	3,447,796
Over five years	11,809,024	11,442,781
	<u>41,485,265</u>	<u>41,423,613</u>

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ii) Loans, advances and financing analysed by their economic sectors are as follows:

	Group	
	2002	2001
	RM'000	RM'000
Agriculture	2,136,945	2,067,061
Mining and quarrying	125,360	131,932
Manufacturing	9,727,577	10,902,306
Electricity, gas and water	1,357,600	1,224,847
Construction	3,827,171	3,765,784
Real estate	2,191,165	2,231,655
Purchase of landed property of which:		
(i) Residential	7,105,090	5,567,117
(ii) Non-residential	1,182,735	1,577,542
General commerce	4,574,045	4,323,428
Transport, storage and communication	933,109	930,889
Finance, insurance and business services	3,121,267	3,277,335
Purchase of securities of which:		
(i) Unit trust	351,215	428,680
(ii) Non-unit trust	577,955	917,963
Purchase of transport vehicles	1,091,337	679,675
Consumption credit	1,430,466	1,368,893
Others	1,752,228	2,028,506
	<u>41,485,265</u>	<u>41,423,613</u>
(iii) Movements in non-performing loans (including interest receivables) are as follows:		
Balance as at beginning of financial year	4,769,067	3,133,240
Amount arising from acquisition of subsidiary companies	-	136,042
Non-performing during the financial year	4,515,036	3,297,155
Recoveries	(367,376)	(508,578)
Non-performing reclassified as performing	(1,119,068)	(954,685)
Amount written off	(270,447)	(195,609)
Amount converted to investment securities	(832,546)	(137,121)
Exchange difference	1,497	(1,377)
Balance as at end of financial year	<u>6,696,163</u>	<u>4,769,067</u>
Net non-performing loans, advances and financing	<u>3,679,989</u>	<u>2,494,501</u>
% to net loans, advances and financing	<u>9.48</u>	<u>6.38</u>



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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iv) Movements in the provision for non-performing loans and interest-in-suspense accounts are as follows:

	2002 RM'000	Group 2001 RM'000
<u>Specific provision</u>		
Balance as at beginning of financial year	1,570,805	1,462,786
Amount arising from acquisition of subsidiary companies	-	63,745
Provisions made during the financial year	779,953	421,511
Transfer to provision for diminution in value of investment securities	(8,773)	(42,996)
Amounts written back in respect of recoveries	(124,015)	(156,690)
Amounts written off	(149,464)	(176,755)
Exchange difference	791	(796)
Balance as at end of financial year	<u>2,069,297</u>	<u>1,570,805</u>
<u>General provision</u>		
Balance as at beginning of financial year	711,652	688,981
Amount arising from acquisition of subsidiary companies	-	14,536
Return of ex-Sime Bank general provision (see below)	(61,916)	(65,000)
Provisions made during the financial year	48,451	74,885
Exchange difference	929	(1,750)
Amount written back	(675)	-
Balance as at end of financial year	<u>698,441</u>	<u>711,652</u>
% of total loans less specific provision and interest-in-suspense/income-in-suspense	<u>1.82</u>	<u>1.83</u>

As RHB Bank acquired a performing loan portfolio ('clean loan portfolio') from Sime Bank, the Sime Bank Agreement allowed for a RM200 million general provision to be included in the vesting of Sime Bank's assets and liabilities and this is included in RHB Bank's general provision reserves as at 30 June 1999. The RM200 million has been returned to BNM as RHB Bank had built up its own general provision on the clean loan portfolio over a three year period as allowed in the Sime Bank Agreement. During the financial year ended 30 June 2002, RHB Bank has returned RM61.9 million to BNM (2001: RM65.0 million) and as at 30 June 2002, RHB Bank has fully returned to BNM the general provision vested over.

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	2002 RM'000	Group 2001 RM'000
<u>Interest-in-suspense/Income-in-suspense</u>		
Balance as at beginning of financial year	734,438	535,041
Amount arising from acquisition of subsidiary companies	-	22,700
Interest suspended during the financial year	565,180	403,359
Transfer to provision for diminution in value of investment securities	(7,727)	(14,850)
Amounts written back in respect of recoveries	(205,797)	(163,428)
Amounts written off	(129,762)	(48,341)
Exchange difference	153	(43)
Balance as at end of financial year	<u>956,485</u>	<u>734,438</u>

### 8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances are stated net of provisions for doubtful debts and interest-in-suspense of RM6,934,000 (2001: RM69,015,000) and RM6,211,000 (2001: RM69,893,000) respectively.

### 9 INVESTMENTS IN SUBSIDIARY COMPANIES

	2002 RM'000	Company 2001 RM'000
<u>In Malaysia</u>		
Quoted shares, at cost	3,927,823	3,927,823
Unquoted shares, at cost	154,292	154,292
Amount due from subsidiary companies	350,856	321,344
	<u>4,432,971</u>	<u>4,403,459</u>
Amount due to subsidiary companies	(664,918)	(581,009)
	<u>3,768,053</u>	<u>3,822,450</u>
Provision for bad and doubtful debts	(1,296)	-
Provision for diminution in value of investments in subsidiary companies	(149,207)	-
	<u>3,617,550</u>	<u>3,822,450</u>
Market value of quoted shares	<u>2,392,380</u>	<u>2,030,780</u>

The amount due from and to subsidiary companies is unsecured, bears interest at 1% (2001: 2%) per annum above the cost of funds of the respective subsidiary companies and have no fixed term of repayment.

Quoted shares in subsidiary companies are utilised as security for the revolving credit facility, overdraft facility and the RM800 million Redeemable Non-convertible Bonds.

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 9 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

The details of the subsidiary companies are shown as follows:

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Paid-up share capital (in RM unless otherwise stated)</u>	<u>Equity Interest</u>		<u>Principal activities</u>
			<u>2002 %</u>	<u>2001 %</u>	
<u>Direct subsidiary companies of Rashid Hussain Berhad</u>					
RHB Capital Berhad	Malaysia	1,823,468,070	55.4	55.4	Investment holding
RHB Property Management Sdn Bhd	Malaysia	500,000	100	100	Property management
Putrade Property Management Sdn Bhd *	Malaysia	100,000	-	100	Property management
RHB-DAEWOO Sdn Bhd	Malaysia	186,508,950	80	80	Property investment
Bandar Wawasan Management Sdn Bhd	Malaysia	2	100	100	Dormant
RHB Kawal Sdn Bhd	Malaysia	1,500,000	100	100	Security services
RHB Health Care Sdn Bhd	Malaysia	2	100	100	Dormant
RHB Management Company Sdn Bhd	Malaysia	150,000	100	100	Management and consultancy services
RHB Modal-Ekuiti Sdn Bhd	Malaysia	3,000,000	100	100	Dormant
Malaysian Mint Sdn Bhd	Malaysia	2	100	100	Dormant
Spektra Perkasa Sdn Bhd	Malaysia	2	100	100	Dormant

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## NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2002 (CONTINUED)

### 9 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Paid-up share capital (in RM unless otherwise stated)</u>	<u>Equity Interest 2002 %</u>	<u>Equity Interest 2001 %</u>	<u>Principal activities</u>
<u>Subsidiary companies of RHB Capital Berhad</u>					
RHB Bank Berhad	Malaysia	3,318,085,121 *	70	70	Commercial banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	100	100	Offshore banking
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for foreign beneficial shareholders
UMBC Sdn Bhd	Malaysia	499,999,818	100	100	Dormant
RHB Investment Ltd <sup>1</sup> (formerly known as RHB Finance Ltd)	Singapore	S\$19,000,000	100	100	Property investment and rental
Banfora Pte Ltd <sup>1</sup>	Singapore	S\$25,000,000	51	51	Property investment and rental
RHB Bank Nominees Pte Ltd <sup>1</sup>	Singapore	S\$100,000	100	100	Nominee services
USB Nominees Sdn Bhd	Malaysia	10,000	100	100	Dormant
USB Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Dormant
USB Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Dormant
RHB Delta Finance Berhad	Malaysia	70,000,000	100	100	Finance company
RHB Delta Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Dormant

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)**

9 **INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)**

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Paid-up share capital (in RM unless otherwise stated)</u>	<u>Equity Interest 2002 %</u>	<u>Equity Interest 2001 %</u>	<u>Principal activities</u>
INFB Jaya Sdn Bhd	Malaysia	50,000,000	100	100	Dormant
RHB Trade Services Limited <sup>1</sup>	Hong Kong	HK\$2	100	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Bena Sdn Bhd	Malaysia	5,000,000	100	100	Dormant
RHBF Sdn Bhd	Malaysia	148,145,176	100	100	Dormant
KYF Sdn Bhd	Malaysia	50,000,000	100	100	Dormant
Kwong Yik Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Dormant
Kwong Yik Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Dormant
KYB Trust Management Sdn Bhd	Malaysia	2	100	100	Dormant
RHB Sakura Merchant Bankers Berhad	Malaysia	338,646,000	51	51	Merchant banking
RHB Unit Trust Management Berhad <sup>2</sup>	Malaysia	2,000,000	51	51	Management of unit trust funds
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for foreign beneficial shareholders

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)**

**9 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)**

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Paid-up share capital (in RM unless otherwise stated)</u>	<u>Equity Interest 2002 %</u>	<u>Equity Interest 2001 %</u>	<u>Principal activities</u>
RHB Venture Capital Sdn Bhd	Malaysia	2	100	100	Dormant
RHB Holdings Sdn Bhd	Malaysia	2	100	100	Dormant
Semara Jaya Sdn Bhd	Malaysia	2	100	100	Dormant
RHB Dynamic Technologies Sdn Bhd	Malaysia	100,000	100	100	Dormant
RHB Leasing Sdn Bhd	Malaysia	10,000,000	70	70	Leasing and hire purchase
RHB Insurance Berhad	Malaysia	100,000,000	79.5	79.5	General insurance
RHB International Trust (Labuan) Sdn Bhd	Malaysia	150,000	100	100	Offshore trust company
RHB Capital Properties Sdn Bhd	Malaysia	21,800,000	100	100	Property investment
RHB Hartanah Sdn Bhd	Malaysia	100,000	100	100	Property investment
Rashid Hussain Securities Sdn Bhd	Malaysia	200,000,000	100	100	Stockbroking
RHB Nominees Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd (formerly known as Rashid Hussain Asset Management Sdn Bhd)	Malaysia	2,000,000	100	100	Asset management

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)**

**9 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)**

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Paid-up share capital (in RM unless otherwise stated)</u>	<u>Equity Interest 2002 %</u>	<u>Equity Interest 2001 %</u>	<u>Principal activities</u>
RHB Research Institute Sdn Bhd	Malaysia	500,000	100	100	Research services
RHB Equities Sdn Bhd <sup>3</sup>	Malaysia	20,000,000	100	100	Equity related services
KYB Sdn Bhd	Malaysia	1,735,137,489	100	100	Dormant
RHB Futures Sdn Bhd	Malaysia	13,500,000	100	100	Futures and options broker
RHB Marketing Services Sdn Bhd	Malaysia	100,000	100	100	Investment holding
Straits Asset Holdings Sdn Bhd	Malaysia	45,000,000	63	63	Investment holding
Straits Futures Sdn Bhd	Malaysia	5,000,000	100	100	Futures and options broker
Straits Securities Sdn Bhd	Malaysia	40,000,000	100	100	Stockbroking
Straits Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for Malaysian beneficial shareholders
Straits Nominees (Asing) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for foreign beneficial shareholders
Straits-G.K. Goh Research Sdn Bhd	Malaysia	500,000	100	100	Research services
RHB Asia Pte Ltd <sup>1</sup>	Singapore	S\$12,000,000	100	100	Investment holding
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	100	100	Investment holding

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 9 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Paid-up share capital (in RM unless otherwise stated)</u>	<u>Equity Interest</u>		<u>Principal activities</u>
			<u>2002 %</u>	<u>2001 %</u>	
Rashid Hussain Securities Limited <sup>4</sup>	United Kingdom	GBP3,250,000	-	100	Dormant
Rashid Hussain Securities (Philippines) Inc <sup>1,5</sup>	Philippines	PHP180,000,000	100	100	Dormant
PT Rashid Hussain Securities <sup>1,6</sup>	Indonesia	IDR35,000,000,000	85	85	Dormant
RHB Overseas Limited	Jersey, Channel Islands	GBP100	100	100	Investment holding
RHB Management Services (Jersey) Limited	Jersey, Channel Islands	GBP 12	100	100	Management services

**Notes:**

- 1 Subsidiary companies audited by overseas firms associated with PricewaterhouseCoopers, Malaysia.
- 2 49% of the equity interest is held directly by RHB Capital Berhad and the balance of 51% is held directly by RHB Sakura Merchant Bankers Berhad.
- 3 With effect from 1 July 2001, the company's activities pertain primarily to recovery of outstanding debts.
- 4 The company has been struck off from the register by the Registrar of Companies and dissolved on 18 September 2001 pursuant to Section 652A of the Companies Act, 1985 of England and Wales.
- 5 The company has ceased operations effective from the close of business on 10 December 2001.
- 6 The company has ceased operations on 31 July 2001 and commenced proceedings for shareholders' voluntary dissolution.
- \* The company has ceased to be a subsidiary company of the Group as it was disposed of on 1 December 2001.
- # Comprising 3,899,971,952 ordinary shares of RM0.50 each and 1,368,099,145 Irredeemable Non-cumulative Convertible Preference Shares of RM1.00 each.



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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 10 INVESTMENTS IN ASSOCIATED COMPANIES

	<u>2002</u> RM'000	<u>Group</u> <u>2001</u> RM'000
Share of net assets other than goodwill of associated companies		
- in Malaysia	11,645	11,645
- outside Malaysia	18,770	38,151
	<u>30,415</u>	<u>49,796</u>

The details of the associated companies are as follows:

<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Paid-up share capital (in RM unless otherwise stated)</u>	<u>Equity Interest</u> 2002 %	<u>Equity Interest</u> 2001 %	<u>Principal activities</u>
Positive Properties Sdn Bhd	Malaysia	23,000,000	50	50	Property investment
RHB-Cathay Securities Pte Ltd <sup>1</sup>	Singapore	S\$30,000,000	49	49	Dormant
RHB-Cathay Research Pte Ltd <sup>2</sup>	Singapore	S\$250,000	100	100	Dormant
RHB-Cathay Nominees Pte Ltd	Singapore	S\$2	100	100	Nominee services

Notes:

- Disposal of the company's stockbroking business to UOB-Kay Hian Pte Ltd has been completed. The company's activities currently pertain primarily to recovery of outstanding debts after which the company is proposing to commence members' voluntary winding-up.
- The company has commenced proceedings for a members' voluntary winding-up.

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 11 AMOUNT RECOVERABLE FROM DANAHARTA

	<u>2002</u>	<u>Group</u> <u>2001</u>
	RM'000	RM'000
Balance as at the beginning of the financial year	184,844	457,869
Amount arising during the financial year	-	1,222
Provision made during the financial year	(82,998)	(256,070)
Amount arising from acquisition of subsidiary companies	-	10
Transfer to provision for diminution in value of investment securities	16,903	-
Amount recovered	(30,856)	(18,187)
Balance as at the end of the financial year	<u>87,893</u>	<u>184,844</u>

### 12 DEFERRED TAXATION ASSETS/(LIABILITIES)

	<u>2002</u>	<u>Group</u> <u>2001</u>
	RM'000	RM'000
Balance as at the beginning of the financial year	(4,285)	(99,755)
Arising from acquisition of subsidiary companies	-	2,144
Transfer from income statement (Note 36)	157,378	93,326
Balance as at the end of the financial year	<u>153,093</u>	<u>(4,285)</u>

The deferred taxation is in respect of the tax effects on the following timing differences:

Timing differences arising from suspension of interest over non-performing loans	229,476	94,871
Timing differences arising from leasing business	(34,209)	(30,379)
Excess of capital allowances over depreciation on property, plant and equipment	(33,763)	(39,402)
Other timing differences	(8,411)	(29,375)
	<u>153,093</u>	<u>(4,285)</u>

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 13 OTHER ASSETS

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Other debtors, deposits and prepayments	184,352	187,710	4,909	2,403
Accrued interest receivable	71,209	95,481	8	28
Foreclosed property	1,523	1,504	-	-
Amount recoverable from BNM (i)	41,380	114,213	-	-
Housing loans acquired for sale to Cagamas Berhad (ii)	18,471	19,414	-	-
	<u>316,935</u>	<u>418,322</u>	<u>4,917</u>	<u>2,431</u>

#### (i) Amount recoverable from BNM

The amount recoverable from BNM comprises mainly balances for outstanding matters in relation to the merger of RHB Bank and Sime Bank.

#### (ii) Housing loans acquired for sale to Cagamas Berhad

In the normal course of its banking operations, the merchant bank subsidiary enters into agreements with third parties to acquire loans for onward sale to Cagamas Berhad. Included in 'Amount due to Cagamas' is the outstanding balance of RM18,471,000 (2001: RM19,414,000) for which the merchant bank subsidiary is liable in respect of loans sold to Cagamas Berhad. The liability is fully indemnified by the originator of the loans and accordingly the amount to be indemnified is disclosed as 'Housing loans acquired for sale to Cagamas Berhad'.

### 14 STATUTORY DEPOSITS

The non-interest bearing statutory deposits relate to the banking and finance subsidiary companies and are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised - 1994), Ministry of Finance of Negara Brunei Darussalam in compliance with Section 6A of Banking Act, and with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19 and Singapore Finance Companies Act, Cap. 108. The amounts are determined by the respective authorities.

### 15 UNREALISED LOSS ON TRANSLATION OF FOREIGN CURRENCY LOANS

	Group and Company	
	2002	2001
	RM'000	RM'000
<u>Unrealised translation loss</u>		
At the beginning/end of the financial year	<u>255,200</u>	<u>255,200</u>
<u>Amortisation of unrealised translation loss</u>		
At the beginning of the financial year	204,160	153,120
Amortisation for the financial year (Note 33)	<u>51,040</u>	<u>51,040</u>
	<u>255,200</u>	<u>204,160</u>
Net balance at the end of the financial year	<u>-</u>	<u>51,040</u>

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 16 GOODWILL

	2002	Group 2001
	RM'000	RM'000
Balance as at beginning of the financial year	1,760,515	1,708,889
Amount arising from the acquisition of subsidiary companies	-	161,827
Amortisation for the financial year (Note 33)	(112,898)	(110,201)
Balance as at end of the financial year	<u>1,647,617</u>	<u>1,760,515</u>

### 17 PROPERTIES UNDER DEVELOPMENT

	2002	Group 2001
	RM'000	RM'000
Freehold land, at cost	114,561	114,561
Development expenditure	313,755	313,799
	<u>428,316</u>	<u>428,360</u>
Less: Amount transferred to real property assets	(428,316)	-
	-	428,360
Less: Provision for permanent diminution in value of investment	-	(78,429)
	<u>-</u>	<u>349,931</u>

The properties under development have been transferred to real property assets during the year as no further development activities are expected to be undertaken by the subsidiary company. These properties are intended for sale on an 'as-is' basis.

### 18 REAL PROPERTY ASSETS

	2002	Group 2001
	RM'000	RM'000
Freehold land, at cost	127,029	12,468
Development expenditure	428,289	114,541
	<u>555,318</u>	<u>127,009</u>
Less: Provision for diminution in value of investment	(131,604)	(33,358)
	<u>423,714</u>	<u>93,651</u>

Development expenditure incurred during the financial year includes the following charges:

Depreciation	-	7
Interest expense	-	5,882

The real property assets have been pledged as collateral for the Company's and a subsidiary company's short term borrowings.

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 19 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	Freehold Land, Buildings and Renovations	Leasehold Land and Buildings	Buildings Renovation and Improvements
<u>2002</u>	RM'000	RM'000	RM'000
<u>Cost</u>			
At the beginning of the financial year	343,620	191,758	198,146
Additions	41,444	3,672	1,664
Disposals	(2,591)	(4,111)	(261)
Write-offs	(5,550)	(1,959)	-
Exchange difference	762	3,744	-
Reclassification	(1,385)	45	(2,498)
At the end of the financial year	376,300	193,149	197,051
<u>Accumulated Depreciation</u>			
At the beginning of the financial year	82,767	10,367	17,103
Charge for the financial year	14,023	1,721	3,934
Disposals	(418)	(643)	(244)
Write-offs	(4,930)	(1,959)	-
Exchange difference	304	88	-
Reclassification	151	(151)	-
At the end of the financial year	91,897	9,423	20,793
Net book value	284,403	183,726	176,258
	Furniture, Fittings, Equipment and Software	Motor Vehicles	Total
<u>2002</u>	RM'000	RM'000	RM'000
<u>Cost</u>			
At the beginning of the financial year	614,578	50,581	1,398,683
Additions	91,146	1,384	139,310
Disposals	(8,689)	(9,800)	(25,452)
Write-offs	(43,008)	(336)	(50,853)
Exchange difference	719	71	5,296
Reclassification	3,838	-	-
At the end of the financial year	658,584	41,900	1,466,984
<u>Accumulated Depreciation</u>			
At the beginning of the financial year	402,714	41,798	554,749
Charge for the financial year	70,812	3,354	93,844
Disposals	(5,287)	(9,110)	(15,702)
Write-offs	(41,631)	(157)	(48,677)
Exchange difference	619	67	1,078
Reclassification	-	-	-
At the end of the financial year	427,227	35,952	585,292
Net book value	231,357	5,948	881,692

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	Freehold Land, Buildings and Renovations	Leasehold Land and Buildings	Buildings Renovation and Improvements
<u>2001</u>	RM'000	RM'000	RM'000
Cost	343,620	191,758	198,146
Accumulated Depreciation	(82,767)	(10,367)	(17,103)
Net book value	260,853	181,391	181,043
	Furniture, Fittings, Equipment and Software	Motor Vehicles	Total
<u>2001</u>	RM'000	RM'000	RM'000
Cost	614,578	50,581	1,398,683
Accumulated Depreciation	(402,714)	(41,798)	(554,749)
Net book value	211,864	8,783	843,934

The net book values of the short term (unexpired period of less than fifty years) and long term (unexpired period of fifty years or more) leasehold land and buildings are RM4,975,000 (2001: RM1,726,000) and RM178,751,000 (2001: RM179,665,000) respectively.

Included in freehold land, buildings and renovations is a property costing RM244,000,000 (2001: RM239,700,000) belonging to the Group which has been charged as collateral for a subsidiary company's short term loan as at 30 June 2002.

The above property, plant and equipment includes the following assets under construction:

	<u>2002</u>	<u>Group</u> <u>2001</u>
	RM'000	RM'000
Freehold land, building and renovation		
- Cost	50,931	32,030
Furniture, fittings, equipment and software		
- Cost	17,369	38,096
	68,300	70,126

<u>Company</u>	Buildings Renovation and Improvements	Furniture, Fittings, Equipment And Software	Total
<u>2002</u>	RM'000	RM'000	RM'000
Cost			
At the beginning/end of the financial year	703	65	768
Accumulated Depreciation			
At the beginning of the financial year	397	53	450
Charge for the financial year	72	11	83
At the end of the financial year	469	64	533
Net book value	234	1	235

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>2001</u>	<u>Buildings Renovation and Improvements RM'000</u>	<u>Furniture, Fittings, Equipment and Software RM'000</u>	<u>Total RM'000</u>
Cost	703	65	768
Accumulated Depreciation	(397)	(53)	(450)
Net book value	<u>306</u>	<u>12</u>	<u>318</u>

### 20 DEPOSITS FROM CUSTOMERS

	<u>2002</u>	<u>Group 2001</u>
	<u>RM'000</u>	<u>RM'000</u>
Demand deposits	8,330,654	7,403,243
Savings deposits	3,424,373	2,944,311
Fixed deposits	25,037,368	27,057,190
Promissory notes	38,703	171,555
Negotiable instruments of deposit	447,506	305,000
	<u>37,278,604</u>	<u>37,881,299</u>

- (i) The maturity structure of fixed deposits, promissory notes and negotiable instruments of deposit is as follows:

Due within six months	20,440,440	21,446,159
Six months to one year	4,400,869	4,816,366
One year to three years	655,192	1,247,414
Three years to five years	27,023	23,593
Over five years	53	213
	<u>25,523,577</u>	<u>27,533,745</u>

- (ii) The deposits are sourced from the following classes of customers:

Business enterprises	17,789,780	20,739,905
Individuals	16,449,762	14,495,421
Others	3,039,062	2,645,973
	<u>37,278,604</u>	<u>37,881,299</u>

### 21 DEPOSITS AND PLACEMENTS OF BANKS AND FINANCIAL INSTITUTIONS

	<u>2002</u>	<u>Group 2001</u>
	<u>RM'000</u>	<u>RM'000</u>
Licensed banks	2,810,277	2,457,625
Licensed finance companies	325,500	228,800
Other financial institutions	1,605,899	1,467,821
	<u>4,741,676</u>	<u>4,154,246</u>

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 22 OTHER LIABILITIES

	Group		Company	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000
General insurance fund (Note 23)	73,327	58,697	-	-
Allowance for commitments and contingencies (Note 24)	28,439	41,425	-	-
Accrued interest payable	224,978	398,137	1,790	192,877
Accruals for operational expenses	173,011	174,718	-	-
Amount due to issuing houses (i)	63,670	-	-	-
Lessee deposit	45,582	44,986	-	-
Credit Guarantee Corporation Funding Programme	25,813	12,706	-	-
Other creditors and accruals	329,830	337,767	9,998	5,606
Provision for restructuring expenses (Note 25)	7,811	13,213	1,178	1,178
	<u>972,461</u>	<u>1,081,649</u>	<u>12,966</u>	<u>199,661</u>

(i) Amount due to issuing houses

This is in respect of fund received by the merchant bank subsidiary in respect of book building exercises for the institutional offerings of certain Initial Public Offerings ('IPOs') of public securities. These funds have been transferred to the respective issuing houses after financial year end.

### 23 GENERAL INSURANCE FUND

	Group	
	<u>2002</u>	<u>2001</u>
	RM'000	RM'000
Provision for outstanding claims	46,512	36,903
Unearned premium reserve	26,815	21,794
	<u>73,327</u>	<u>58,697</u>

### 24 ALLOWANCE FOR COMMITMENTS AND CONTINGENCIES

Movements in allowance for commitments and contingencies are as follows:

	Group	
	<u>2002</u>	<u>2001</u>
	RM'000	RM'000
Balance as at the beginning of the financial year	41,425	28,853
Allowance made during the financial year	21,400	12,862
Amount written back	(28,525)	(290)
Amount written off	(5,861)	-
Balance as at the end of the financial year	<u>28,439</u>	<u>41,425</u>



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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 25 PROVISION FOR RESTRUCTURING EXPENSES

<u>2002</u>	<u>Group</u> RM'000	<u>Company</u> RM'000
Movements in provision for restructuring expenses are as follows:		
Balance as at the beginning of the financial year	13,213	1,178
Utilised during the year	(679)	-
Unused amount reversed	(4,723)	-
Balance as at the end of the financial year	<u>7,811</u>	<u>1,178</u>
<u>As at 30 June 2002</u>		
Current	<u>7,811</u>	<u>1,178</u>
<u>As at 30 June 2001</u>		
Current	<u>13,213</u>	<u>1,178</u>

This provision relates primarily to the Proposed Group Restructuring (refer Note 1) and comprises provision for professional fees, consultants' fees and other related expenses payable.

### 26 BORROWINGS

	<u>Group</u>		<u>Company</u>	
	<u>2002</u> RM'000	<u>2001</u> RM'000	<u>2002</u> RM'000	<u>2001</u> RM'000
Secured:				
Revolving credits	1,406,337	1,395,540	1,128,937	1,138,140
Term loan	180,000	180,000	-	-
Overdrafts	49,414	49,638	49,414	49,638
2.5% Redeemable Non-convertible Bonds	800,000	800,000	800,000	800,000
Unsecured:				
Revolving credits	273,000	332,000	-	-
Term loan	172,528	166,936	-	-
Overdrafts	9,890	8,682	-	-
1.5% Redeemable Exchangeable Bonds	1,007,699	760,000	1,007,699	760,000
6.0% Redeemable Bonds	150,000	150,000	-	-
	<u>4,048,868</u>	<u>3,842,796</u>	<u>2,986,050</u>	<u>2,747,778</u>
Maturity period of borrowings:				
Repayable within one year	3,898,868	3,512,796	2,986,050	2,747,778
One year to three years	150,000	330,000	-	-
	<u>4,048,868</u>	<u>3,842,796</u>	<u>2,986,050</u>	<u>2,747,778</u>

The borrowings of the Group and of the Company are as follows:

#### a) Revolving credits (secured)

The secured revolving credit facilities of RM1,406,337,000 (2001: RM1,395,540,000) comprise facilities of RM1,211,437,000 (2001: RM1,190,640,000) which are secured against shares and warrants in subsidiary companies and a property of a subsidiary company, and a facility of RM194,900,000 (2001: RM204,900,000) which is secured against the real property assets of a subsidiary company. The secured revolving credit facilities bear interest at rates varying from 0.25% to 2.50% (2001: 0.40% to 2.50%) per annum above the cost of funds of the respective financial institutions.

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 26 BORROWINGS (CONTINUED)

- b) Revolving credits (unsecured)  
The unsecured revolving credit facilities of RM273,000,000 (2001: RM332,000,000) bear interest at rates varying from 1.25% to 2.25% (2001: 1.25% to 2.25%) per annum above the cost of funds of the respective financial institutions.
- c) Term loan (secured)  
The secured term loan of RM180,000,000 (2001: RM180,000,000) is secured against a property of a subsidiary company. The term loan bear interest at 1.50% (2001: 1.50%) per annum above the base lending rate of the lending bank.
- d) Term loan (unsecured)  
The unsecured term loan bear interest at rates ranging from 2.35% to 6.25% per annum (2001: 6.25% to 7.00% per annum).
- e) Overdrafts (secured)  
The overdraft facility is secured against the shares and warrants in a subsidiary company. The secured overdraft bear interest at 2.25% (2001: 1.25% to 1.50%) per annum above the base lending rate of the lending bank.
- f) Overdrafts (unsecured)  
The unsecured overdraft facility bear interest at rates of 1.25% to 1.50% (2001: 1.25% to 1.50%) per annum above the base lending rates of the respective banking institutions.
- g) 2.5% Secured Redeemable Non-Convertible Bonds  
On 25 June 1997, the Company issued RM800,000,000 nominal amount of 2.50% per annum Secured Redeemable Non-Convertible Bonds ('Bonds 97/02') together with 55,038,988 detachable warrants ('RHB Warrants'). The Bonds 97/02 are secured against quoted shares in a subsidiary company and were required to be redeemed by the Company at its nominal value together with interest accrued not later than 25 June 2002.

AmMerchant Bank, on behalf of the Company, announced on 24 June 2002 that holders of the Bonds 97/02 had approved the following Proposals:

- i) The extension of the maturity date of the Bonds 97/02 for a further period of six (6) months from 25 June 2002 until 25 December 2002 ('Extended Period') and the payment of an extension fee of 0.25% of the aggregate nominal value of the Bonds 97/02 to the holders of the Bonds 97/02 on 25 June 2002;
- ii) The increase in the interest rate on the Bonds 97/02 from 2.5% per annum to 8.5% per annum until the date of redemption of the Bonds 97/02;
- iii) The granting of a call option on the Bonds 97/02 which will allow the Company the right, but not the obligation, to redeem the Bonds 97/02 at nominal value at any time during the Extended Period; and
- iv) The redemption of the Bonds 97/02 via an exchange of the Bonds 97/02 with the RM800 million RHB Bank Sub-Debt upon exercise of the call option mentioned above or, at expiration of the Extended Period on 25 December 2002, whichever is earlier.

AmMerchant Bank, on behalf of the Company, announced on 2 July 2002 that the Securities Commission has, vide its letter dated 26 June 2002, approved the Proposals. Approval from Bank Negara Malaysia was obtained vide its letters dated 11 June 2002 and 21 June 2002.

The Third Supplemental Deed incorporating the Proposals was executed on 27 June 2002.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)****26 BORROWINGS (CONTINUED)****h) 1.5% Unsecured Redeemable Exchangeable Bonds**

On 26 June 1997, the Company issued 1.5% Unsecured Redeemable Exchangeable Bonds ('Bonds 97/07') due 2007 in the aggregate principal amount of US\$200,000,000. The Bonds 97/07 bear interest at the rate of 1.5% per annum, payable semi-annually in arrears on 30 June and 31 December of each year from 31 December 1997 up to and including 30 June 2007.

Under the terms of the Bonds 97/07:

- i) The holders of the Bonds 97/07 may exchange all or any part of their holdings into (a) fully paid ordinary shares of RM1.00 each in RHB Capital Berhad at the rate of RM10.25 per share ('Exchange Price') at the fixed rate of exchange of RM2.51745: US\$1 ('Exchange Rate'), or (b) at the option of the Company, the prevailing market value of the RHB Capital shares in cash in U.S. dollars. Any outstanding Bonds 97/07 not previously exchanged may be redeemed in U.S. dollars at the option of the bondholder at a premium of 32.592% of the par value together with all accrued interest on 30 June 2002.
- ii) The Bonds 97/07 may also be redeemed at the option of the Company, in whole but not in part, at any time on or after 8 July 2000 at their principal amount provided that (i) the closing price of the share of a subsidiary company, RHB Capital on the KLSE on each of thirty (30) consecutive trading days falling prior to the date of the notice of redemption is at least 140% of the Exchange Price in effect on each such trading day; and (ii) the closing price (translated into U.S. dollars at the prevailing rate) of the RHB Capital Berhad shares on each of such thirty (30) consecutive trading days is at least 140% of the Exchange Price (translated into U.S. dollars at the Exchange Rate).
- iii) Any remaining Bonds 97/07 will be redeemed by the Company at par at the Exchange Rate referred to above, with all accrued interest on 22 June 2007.

On 21 June 2002, AmMerchant Bank on behalf of the Company, announced that at a Bondholders' meeting held on the same day, Bondholders had approved the Proposed Bond Restructuring which involves, *inter alia*, the settlement of the Bonds 97/07 by way of an exchange of the Bonds 97/07 at the accreted value for approximately USD265.184 million nominal amount of Rashid Hussain Berhad new Bonds 2002/2007 ('New Bonds') with approximately 340.439 million detachable warrants ('New Warrants'). The New Warrants will entitle its holder to purchase shares of RHB Capital held by the Company at an exercise price of RM2.96 per share, by way of cash payment or the surrender for cancellation of the New Bonds at their accreted value or a combination of both. Details of the Proposed Bond Restructuring are set out in note 1 (iii) to the financial statements.

**i) 6% Redeemable Unsecured Bonds**

On 31 May 2001, RHB Capital issued RM150 million nominal value 3 years 6% Redeemable Unsecured Bonds ('Bonds 01/04'). The Bonds 01/04 bear interest at the rate of 6% per annum, payable semi annually in arrears on 30 June and 31 December of each year from 30 June 2001 up to and including 31 December 2003 and on maturity date, 31 May 2004. A sinking fund is created by RHB Capital and administered by the trustee of the Bonds 01/04 to ensure repayment of the Bonds 01/04 on maturity date. Dividend income from subsidiary companies of RHB Capital received by RHB Capital will first be credited into the said sinking fund to ensure the following balances are met at their respective dates:

	RM'Million
30 November 2002	25.0
31 May 2003	50.0
30 November 2003	100.0

**NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2002 (CONTINUED)**

**27 IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS')**

The salient features of the INCPS are as follows:

- (i) A non-cumulative preferential dividend (less tax) is payable at the following rates:
  - a) for the period from the date of issue of INCPS to the day preceding the fifth anniversary date of issue of the INCPS, a non-cumulative preferential dividend at the rate of 8% (less tax) per annum; and
  - b) thereafter, a non-cumulative preferential dividend at the rate of 10% (less tax) per annum.
- (ii) Save and except that the INCPS shall rank in priority to RHB Bank shares as regards the preferential dividend and return of capital in the event of winding-up, the INCPS have no right to participate in the surplus assets and profits of RHB Bank.
- (iii) The INCPS carry no right to attend and vote at general meetings of RHB Bank unless the dividends on the INCPS are in arrears for more than 3 months or the general meeting is:
  - a) for any resolution which varies or is deemed to vary the rights and privileges of such INCPS; or
  - b) for any resolution for winding up of RHB Bank.
- (iv) Holders of the INCPS have the option of converting the INCPS into new RHB Bank shares in the first five (5) years from the date of issue of the INCPS ('Conditional Conversion Period') should:
  - a) RHB Bank cease to be subsidiary of RHB Capital; or
  - b) the risk weighted capital adequacy ratio of RHB Bank fall to a level at or below 8.5% and this is not remedied within 3 months from the occurrence of such events; or
  - c) at any time the aggregate of dividends which are missed and not paid exceed 4% of the par value of the INCPS.

The INCPS may be converted at any time after the Conditional Conversion Period, at the Optional Conversion Price as defined hereafter. The Optional Conversion Price means the consolidated net assets per RHB Bank share based on its consolidated management accounts immediately preceding the date of conversion multiplied by 1.2 times. The Optional Conversion Price is subject to adjustments under certain circumstances in accordance with the terms of the INCPS.

- (v) In the event RHB Bank undertakes an initial public offering of shares for the purpose of seeking a listing on the KLSE, the outstanding INCPS will be mandatorily converted based on a specified price which would yield a return of 12% per annum on the INCPS.

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## NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2002 (CONTINUED)

### 28 AUTHORISED SHARE CAPITAL

	<u>2002</u> RM'000	<u>Company</u> <u>2001</u> RM'000
Ordinary shares of RM1.00 each		
Balance as at the beginning/end of the financial year	<u>1,000,000</u>	<u>1,000,000</u>

### 29 NON-DISTRIBUTABLE RESERVES

The reserve funds represents non-distributable profits held by the banking and finance company subsidiaries in compliance with Section 36 of the Banking and Financial Institutions Act, 1989, Section 18 of the Singapore Finance Companies (Amendment) Act, 1994 and by the securities subsidiary companies in accordance with the rules of the relevant stock exchanges.

### 30 INTEREST INCOME

	<u>Group</u> <u>2002</u> RM'000	<u>2001</u> RM'000	<u>Company</u> <u>2002</u> RM'000	<u>2001</u> RM'000
Loans, advances and financing	2,439,544	2,473,880	-	-
Money at call, deposits and placements with financial institutions	112,800	186,505	829	713
Dealing securities	141,525	115,022	-	-
Investment securities	232,510	252,724	-	-
Margin financing	3,049	4,893	-	-
Others	1,552	12,874	25,255	23,170
	<u>2,930,980</u>	<u>3,045,898</u>	<u>26,084</u>	<u>23,883</u>
Amortisation of premium less accretion of discount	2,580	32,072	-	-
Net interest suspended	(362,271)	(252,246)	-	-
	<u>2,571,289</u>	<u>2,825,724</u>	<u>26,084</u>	<u>23,883</u>

### 31 INTEREST EXPENSE

	<u>Group</u> <u>2002</u> RM'000	<u>2001</u> RM'000	<u>Company</u> <u>2002</u> RM'000	<u>2001</u> RM'000
Deposits and placements from other financial institutions	115,473	148,701	-	-
Deposits from customers	968,234	1,115,707	-	-
Short term borrowings	231,848	225,079	163,864	160,234
Others	61,057	55,379	43,380	32,033
	<u>1,376,612</u>	<u>1,544,866</u>	<u>207,244</u>	<u>192,267</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)**

**32 NON-INTEREST INCOME**

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
<u>Fee income:</u>				
Brokerage	56,830	36,456	-	-
Fund management fees	5,693	4,200	-	-
Commission	65,335	73,086	-	-
Service charges and fees	119,564	96,466	-	-
Guarantee fees	42,262	46,516	-	-
Underwriting fees	6,070	6,266	-	-
Rollover fees	2,987	3,239	-	-
Other fee income	33,013	19,053	-	-
	<u>331,754</u>	<u>285,282</u>	<u>-</u>	<u>-</u>
<u>Investment income:</u>				
Gain from dealing securities	60,257	72,002	-	-
Gain from disposal of unquoted shares in a subsidiary company	-	500	-	-
Gains from sale of investment securities	22,995	66,168	-	-
Gross dividends from Malaysia				
- Investment securities	4,614	3,688	39	39
- Subsidiary companies	-	-	35,248	20,894
Writeback of/(Provision for) diminution in value of investment securities	16,529	(9,324)	(756)	-
	<u>104,395</u>	<u>133,034</u>	<u>34,531</u>	<u>20,933</u>
<u>Other income:</u>				
Foreign exchange profit				
- realised	58,745	58,934	-	-
- unrealised	7,884	1,490	-	-
Rental income	5,854	4,131	36	36
Insurance premium earned	48,476	41,599	-	-
Gain on disposal of property, plant and equipment	6,459	2,114	-	-
Operating loss from property development activities	-	(1,605)	-	-
Management fees	984	2,470	126	118
Other operating income	9,579	14,161	-	-
Other non-operating income	6,603	21,308	-	-
	<u>144,584</u>	<u>144,602</u>	<u>162</u>	<u>154</u>
Claims incurred	(27,521)	(25,384)	-	-
Commissions	(1,772)	(2,666)	-	-
	<u>115,291</u>	<u>116,552</u>	<u>162</u>	<u>154</u>
	<u>551,440</u>	<u>534,868</u>	<u>34,693</u>	<u>21,087</u>

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 33 OVERHEAD EXPENSES

	Group		Company	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000
Personnel costs	488,572	471,703	157	163
Establishment costs	248,659	249,683	167	96
Marketing expenses	36,513	31,325	1,154	336
Administration and general expenses	<u>267,777</u>	<u>293,086</u>	<u>215,602</u>	<u>59,246</u>
	<u>1,041,521</u>	<u>1,045,797</u>	<u>217,080</u>	<u>59,841</u>

The above expenditure includes the following statutory disclosures:

Auditors' remuneration				
- audit fees	2,125	2,092	60	60
- non-audit fees	610	706	90	196
Amortisation of goodwill (Note 16)	112,898	110,201	-	-
Amortisation of unrealised loss on translation of foreign currency loans (Note 15)	51,040	51,040	51,040	51,040
Depreciation of property, plant and equipment	93,844	101,505	83	85
Directors' remuneration (Note 34)	10,007	11,923	87	72
Professional fees paid to a company of which a director has an interest	234	234	-	-
Provision for bad and doubtful debts	-	-	1,296	-
Provision for diminution in value of real property assets	19,817	-	-	-
Provision for diminution in value of investments in subsidiary companies	-	-	149,207	-
Rental of equipment	2,905	3,134	-	-
Rental of premises	<u>37,338</u>	<u>41,005</u>	<u>-</u>	<u>-</u>
The number of employees as at the end of the financial year	<u>9,043</u>	<u>9,583</u>	<u>-</u>	<u>-</u>

### 34 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all directors of the Company charged against the profit/(loss) for the financial year are as follows:

	Group		Company	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000
Fees				
- Executive directors	159	130	-	-
- Non-executive directors	171	172	71	72
Other remuneration				
- Executive directors	9,546	11,547	-	-
- Non-executive directors	131	74	16	-
	<u>10,007</u>	<u>11,923</u>	<u>87</u>	<u>72</u>

The estimated monetary value of benefits-in-kind provided to directors amounted to RM185,000 (2001: RM169,000).

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 35 LOAN AND FINANCING LOSS AND PROVISION

	<u>2002</u> RM'000	<u>Group</u> <u>2001</u> RM'000
(Writeback of)/Allowance for commitments and contingencies	(7,125)	12,573
Provision for bad and doubtful debts		
- Specific provision (net)	655,580	253,736
- General provision	49,106	74,886
Bad debts		
- recovered	(9,793)	(58,079)
- written off	9	3,351
Provision against amount recoverable from Danaharta:		
- Provision for value impairment during the year	86,509	270,376
- Written back on final settlement	(3,511)	(14,306)
Specific provision for other debtors	2,496	4,749
	<u>773,271</u>	<u>547,286</u>

### 36 TAXATION AND ZAKAT

	<u>Group</u> <u>2002</u> RM'000	<u>2001</u> RM'000	<u>Company</u> <u>2002</u> RM'000	<u>2001</u> RM'000
Current Malaysian taxation				
- Based on profit for the financial year	282,272	294,557	-	1,368
- Over provision in previous years	(12,744)	(4,355)	(12,849)	-
- Transfer to deferred taxation (Note 12)	(157,378)	(93,326)	-	-
	<u>112,150</u>	<u>196,876</u>	<u>(12,849)</u>	<u>1,368</u>
Foreign taxation based on profit for the year	<u>1,478</u>	<u>7,734</u>	<u>-</u>	<u>-</u>
	<u>113,628</u>	<u>204,610</u>	<u>(12,849)</u>	<u>1,368</u>
Zakat	<u>253</u>	<u>196</u>	<u>-</u>	<u>-</u>
	<u>113,881</u>	<u>204,806</u>	<u>(12,849)</u>	<u>1,368</u>

The effective tax rate for the Group is higher than the statutory tax rate as certain expenses are not deductible for tax purposes and profits made by some subsidiary companies could not be offset against losses incurred by other subsidiary companies.

Tax savings of the Group from the utilisation of tax losses brought forward from previous years of which the related credit is recognised during the financial year amounted to RM38,000 (2001: RM1,186,000).

The Group has unutilised tax losses carried forward amounting to approximately RM639,944,000 (2001: RM638,723,000) available for set-off against future taxable business profits for which the estimated potential benefits of RM179,184,000 (2001: RM178,843,000) have not been accounted for in the financial statements of current or prior years.



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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 37 LOSS PER SHARE

The basic loss per share has been calculated by dividing the Group's loss after taxation, zakat, minority interests and INCPS dividends by a subsidiary company of RM294,318,000 (2001: loss of RM222,720,000) by the weighted average number of ordinary shares of the Company in issue during the financial year of 463,519,000 (2001: 463,472,000).

Fully diluted loss per share for the current financial year is not presented as the computation resulted in a lower loss per share (anti-dilutive).

There was no dilution in the loss per share of the previous financial year as the exercise price of the warrants was higher than the market value of the ordinary shares.

### 38 COMMITMENTS AND CONTINGENCIES

#### (i) Banking commitments and contingencies

In the normal course of business, the banking subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the allowance for commitments and contingencies already made in the financial statements (Note 24), no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

	<u>2002</u>		<u>Group</u>	
	Principal	Credit	Principal	Credit
	Amount	Equivalent	Amount	Equivalent
	RM'000	Amount *	RM'000	Amount *
Direct credit substitutes	3,095,260	3,079,959	2,818,702	2,813,286
Certain transaction related contingent items	1,270,058	635,029	1,393,800	696,900
Short-term self-liquidating trade-related contingencies	1,039,397	291,879	860,386	172,077
Obligations under underwriting agreements	416,378	208,189	421,931	210,966
Irrevocable commitments to extend credit				
- maturity exceeding one year	2,593,716	1,296,859	2,767,241	1,383,621
- maturity not exceeding one year	18,101,272	-	17,633,085	-
Foreign exchange-related contracts - forward contracts				
- less than one year	4,739,940	77,909	6,492,975	94,722
Interest rate-related contracts				
- less than one year	524,600	451	523,600	377
- one year to less than five years	763,000	15,033	363,000	5,625
- more than five years	100	5	-	-
Others	696,303	-	703,255	-
	<u>33,240,024</u>	<u>5,605,313</u>	<u>33,977,975</u>	<u>5,377,574</u>

\* The credit equivalent amount is arrived at using the credit conversion factor as per BNM's circulars.

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 38 COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (i) Banking commitments and contingencies (continued)

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

Breakdown of foreign exchange contracts and interest rate contracts:

	<u>2002</u>	<u>Group</u> <u>2001</u>
	Notional/ Principal Amount RM'000	Notional/ Principal Amount RM'000
<u>Foreign exchange contracts</u>		
- forward and futures contracts	2,477,000	3,805,101
- cross-currency interest rate swaps	2,203,538	2,635,206
<u>Interest rate contracts</u>		
- forward and futures contracts	797,700	706,235
- swaps	490,000	180,600

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

#### Market risk

Market risk is the potential change in value caused by movements in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the balance sheet date, the amount of contracts which were not hedged and hence, exposed to market risk was RM411,192,000 (2001: RM658,666,000).

#### Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. As at the balance sheet date, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM25,292,000 (2001: RM21,875,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

RHB Bank has also given a continuing guarantee to BNM to meet the liabilities and financial obligations and requirements of its subsidiary, RHB Bank (L) Ltd., arising from offshore banking business in the Federal Territory of Labuan.

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 38 COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (ii) Material Litigation

On 19 October 2001, RHB Capital announced that a Writ of Summons had been filed at the High Court of Malaya in Kuala Lumpur against Carta Bintang Sdn Bhd ('CBSB'), the vendor of SJ Securities Sdn Bhd ('SJ Securities'), for the recovery of the deposit of RM32,800,000 paid by RHB Capital pursuant to the sale of shares agreement dated 7 November 2000 between CBSB and RHB Capital for the sale and purchase of shares in SJ Securities. On 8 November 2001, RHB Capital further announced that the sealed Writ of Summons was served on the solicitors for CBSB on 7 November 2001.

On 29 November 2001, RHB Capital announced that the Defence and Counterclaim of CBSB was served on RHB Capital's solicitors on 26 November 2001. The overall amount claimed by CBSB in the Counterclaim is RM258,688,153.42 together with interest thereon and costs. RHB Capital filed its Reply to the Defence and a Defence to the Counterclaim on 19 December 2001.

The solicitors for RHB Capital are of the opinion that the chances of successfully recovering the deposit paid to CBSB are good. In addition, the solicitors for RHB Capital are also of the opinion that the prospects of successfully defending the counterclaim instituted by CBSB against RHB Capital are good and that the said counterclaim is unlikely to succeed.

The Group does not have any other material litigation, which in the opinion of the directors could have a material adverse effect on the financial results of the Group.

### 39 SIGNIFICANT RELATED PARTY DISCLOSURES

#### Related parties and relationships

The related parties of and their relationship with the Company are as follows:

<u>Related parties</u>	<u>Relationship</u>
RHB Capital Berhad	Subsidiary company
Subsidiary companies of RHB Capital Berhad as disclosed in Note 9	Indirect subsidiary companies
Associated companies of RHB Capital Berhad as disclosed in Note 10	Associated companies

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 40 LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:

<u>Year</u>	<u>Group</u>	
	<u>2002</u> RM'000	<u>2001</u> RM'000
2002	13,044	23,827
2003	20,413	11,128
2004	13,004	4,038
2005	1,804	989
2006	428	360
2007	197	159
Later than 2007	462	533

### 41 CAPITAL COMMITMENTS

	<u>Group</u>		<u>Company</u>	
	<u>2002</u> RM'000	<u>2001</u> RM'000	<u>2002</u> RM'000	<u>2001</u> RM'000
Capital Expenditure:				
- authorised and contracted for	437,130	399,898	-	-
- authorised but not contracted for	132,614	201,746	-	-
	<u>569,744</u>	<u>601,644</u>	<u>-</u>	<u>-</u>
Analysed as follows:				
- property, plant and equipment	224,147	256,047	-	-
- real property assets	345,597	345,597	-	-
	<u>569,744</u>	<u>601,644</u>	<u>-</u>	<u>-</u>

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 42 SEGMENT ANALYSIS

The segment analysis of the Group is as follows:

#### a) By industry segment

	Operating Revenue RM'000	Profit/(Loss) Before Interest, Taxation and Zakat RM'000	Assets Employed RM'000
<u>2002</u>			
Commercial banking	2,629,830	233,919	49,471,800
Merchant banking	228,075	92,885	3,568,116
Finance companies and leasing	209,962	89,712	2,445,783
Securities and asset management	76,240	3,254	359,797
Insurance	29,271	23,884	155,127
Unit trust	11,964	2,970	6,249
Properties	2,616	(37,476)	728,511
Investment holding and others	5,336	(62,512)	37,542
Subtotal	3,193,294	346,636	56,772,925
Associated company	-	2,861	30,415
Goodwill	-	(112,898)	1,647,617
	3,193,294	236,599	58,450,957
Less: Interest expense	-	(231,848)	-
Operating revenue	3,193,294		
Profit before taxation and zakat		4,751	
Assets employed			58,450,957
<u>2001</u>			
Commercial banking	2,906,165	493,288	49,572,805
Merchant banking	234,081	100,000	3,757,274
Finance companies and leasing	164,329	80,497	2,429,678
Securities and asset management	66,106	(24,892)	239,514
Insurance	16,078	10,564	91,095
Unit trust	10,695	2,308	4,732
Properties	2,513	(10,972)	735,059
Investment holding and others	9,032	(44,463)	167,500
Subtotal	3,408,999	606,330	56,997,657
Associated company	-	(3,315)	49,796
Goodwill	-	(110,201)	1,760,515
	3,408,999	492,814	58,807,968
Less: Interest expense	-	(225,079)	-
Operating revenue	3,408,999		
Profit before taxation and zakat		267,735	
Assets employed			58,807,968

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)**

**42 SEGMENT ANALYSIS (CONTINUED)**

**b) By geographical segment**

	Operating Revenue	Profit/(Loss) Before Interest, Taxation and Zakat	Assets Employed
	RM'000	RM'000	RM'000
<b>2002</b>			
Malaysia	3,188,453	362,362	56,532,612
Outside Malaysia	4,841	(15,726)	240,313
Subtotal	3,193,294	346,636	56,772,925
Associated company	-	2,861	30,415
Goodwill	-	(112,898)	1,647,617
Subtotal	3,193,294	236,599	58,450,957
Less: Interest expense	-	(231,848)	-
Operating revenue	3,193,294		
Profit before taxation and zakat		4,751	
Assets employed			58,450,957
<b>2001</b>			
Malaysia	3,357,378	594,044	56,411,998
Outside Malaysia	51,621	12,286	585,659
Subtotal	3,408,999	606,330	56,997,657
Associated company	-	(3,315)	49,796
Goodwill	-	(110,201)	1,760,515
Subtotal	3,408,999	492,814	58,807,968
Less: Interest expense	-	(225,079)	-
Operating revenue	3,408,999		
Profit before taxation and zakat		267,735	
Assets employed			58,807,968

The Group activities are principally conducted in Malaysia.

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## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

#### RASHID HUSSAIN BERHAD

##### (i) Disposal of Putrade Property Management Sdn Bhd

On 29 November 2001, the Company announced that RHB Property Management Sdn Bhd, a wholly-owned subsidiary of the Company, has on 28 November 2001 entered into a Share Purchase Agreement ('Share Purchase Agreement') for the disposal of the entire issued and paid-up share capital in Putrade Property Management Sdn Bhd ('Putrade') comprising 100,000 ordinary shares of RM1.00 each to Sua-Jaya Trade Management Sdn Bhd for a cash consideration of RM100,000. The purchase consideration of RM100,000 was arrived at on a willing buyer and willing seller basis and has been satisfied in full upon the execution of the Share Purchase Agreement. The Share Purchase Agreement was completed on 1 December 2001 and Putrade has ceased to be an indirect wholly-owned subsidiary of the Company.

##### (ii) Proposed extension of the duration and exercise period of the Warrants 1999/2002 ('Proposed Extension of Warrants 1999/2002'); Proposed extension of the duration and exercise period of the Warrants 2001/2002 ('Proposed Extension of Warrants 2001/2002') and Proposed swapping of Warrants 1997/2007 with additional Warrants 2001/2002 ('Proposed Swapping') (collectively known as 'Warrants Proposals')

Further to the application in respect of the Warrants Proposals, the SC and the Company's shareholders and holders of Warrants 1999/2002 had on 14 February 2002 and 20 March 2002 respectively approved the proposed extension of Warrants 1999/2002 by approximately seven (7) years from 24 March 2002 to expire on 16 August 2009.

The SC and the Company's shareholders and holders of Warrants 2001/2002 had on 20 February 2002 and 20 March 2002 respectively approved the proposed extension of Warrants 2001/2002 by five (5) years from 24 March 2002 to expire on 24 March 2007.

The Company has executed the respective supplemental deed polls on 20 March 2002 to effect the extension of the duration and exercise period of the Warrants 1999/2002 and Warrants 2001/2002 to expire on 16 August 2009 and 24 March 2007 respectively.

In relation to the Proposed Swapping, the SC stated that any proposal for the issuance of additional replacement warrants is not permitted after 30 June 2000 as set out in SC's press release dated 30 December 1999. As such, the SC did not approve the Proposed Swapping.

##### (iii) Proposed RHB Employees' Share Option Scheme ('ESOS')

The Company implemented an ESOS on 8 January 1993 which expired on 7 January 1998. On 20 March 2002, AmMerchant Bank on behalf of the Company announced that the Company proposes to establish a new ESOS to continue the incentive scheme for the purposes of rewarding and retaining employees and directors in RHB group.

The new RHB ESOS will allow the granting of options to eligible employees and directors in the RHB Group to subscribe for new RHB shares not exceeding 10% of the issued and paid-up share capital of RHB for the duration of the new ESOS.

Company No.

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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

#### RHB CAPITAL BERHAD

##### (i) Disposal of RHB-Cathay Securities Pte Ltd's stockbroking business

On 15 June 2001, RHB Capital, a subsidiary of the Company announced that its associated company in Singapore, RHB-Cathay Securities Pte Ltd ('RHB-Cathay'), in which RHB Capital via its wholly-owned subsidiary RHB Asia Pte Ltd holds 49% equity interest, will be entering into an agreement with UOB-Kay Hian Pte Ltd ('UOBKH') for the disposal of RHB-Cathay's stockbroking business to UOBKH for a cash consideration of S\$9.7 million (or approximately RM20.27 million based on an exchange rate of S\$1.00 = RM2.09) subject to adjustments as provided in the said agreement. The consideration amount of S\$9.7 million includes S\$1.9 million for the property, plant and equipment of RHB-Cathay.

On 4 October 2001, RHB Capital announced that RHB-Cathay has completed the disposal of its stockbroking business to UOBKH, and it is intended that RHB-Cathay be liquidated and the proceeds from the eventual realisation of the net assets (including the consideration received for the disposal less liquidation costs) be distributed to RHB-Cathay's shareholders. Such proceeds are expected to enable RHB Capital to realise a surplus over the value of the investment in RHB-Cathay.

##### (ii) Members' voluntary winding-up of RHB-Cathay Research Pte Ltd

On 9 November 2001, RHB Capital announced that at an extraordinary general meeting of RHB-Cathay Research Pte Ltd ('RHB-Cathay Research') held on 7 November 2001, a special resolution was passed to commence proceedings for a members' voluntary winding-up of RHB-Cathay Research, a wholly-owned subsidiary of RHB-Cathay.

##### (iii) Cessation of operations of Rashid Hussain Securities (Philippines), Inc

On 19 October 2001, RHB Capital announced that it is planning to cease the stockbroking operations of Rashid Hussain Securities (Philippines), Inc ('RHS Philippines'), an indirect subsidiary of RHB Capital, subject to clearance of all legal and regulatory requirements.

On 9 November 2001, RHB Capital announced that on 8 November 2001, RHS Philippines notified the regulatory authorities in Philippines of its intended date of cessation of operations. RHS Philippines has since ceased operations effective from the close of business on 10 December 2001.

##### (iv) Striking-off and dissolution of Rashid Hussain Securities Limited

On 18 September 2001, RHB Capital announced that Rashid Hussain Securities Limited ('RHSL'), an indirect wholly-owned subsidiary of RHB Capital, has been struck-off from the register of companies and dissolved on 18 September 2001 pursuant to Section 652A of the Companies Act, 1985 of England and Wales. The striking-off and dissolution of RHSL was made pursuant to an application by RHSL for voluntary striking-off and dissolution. The notice of striking-off and dissolution of RHSL was received from the Registrar of Companies, Cardiff, Wales on 14 September 2001. RHSL was a dormant company after having ceased operations on 23 June 1999. With the striking-off and dissolution, RHSL ceases to be an indirect wholly-owned subsidiary of RHB Capital.

##### (v) Cessation of operations of PT Rashid Hussain Securities

Further to the announcement on 11 July 2001 in relation to the cessation of the stockbroking operations of PT Rashid Hussain Securities ('PT RHS') which took effect from 31 July 2001, RHB Capital announced on 16 April 2002 that its wholly-owned subsidiary, RHB Capital (Jersey) Limited had on 15 April 2002 appointed PT PricewaterhouseCoopers FAS, Jakarta as the liquidator of PT RHS, a subsidiary of RHB Capital (Jersey) Limited based in Jakarta, Indonesia. The net book value of the affected assets as at 31 July 2001 was IDR6.37 billion.



Company No.

163211	V
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**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2002 (CONTINUED)

### 44 CONTINGENT LIABILITIES

As at balance sheet date, the Company extended unsecured guarantees of RM45,920,000 (2001: RM45,920,000) for borrowing of its subsidiary company. As at balance sheet date, the above extended facilities were fully utilised (2001: fully utilised) by subsidiary company of the Company.

### 45 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's accounting treatment.

BNM's circular dated 31 July 2001 on 'Accounting treatment for loans sold to Cagamas with recourse', states that loans sold to Cagamas with recourse will no longer be deducted from gross loans and advances. Proceeds from the sale of the loans are to be reclassified to the liability side of the balance sheet.

Interest income received and interest expense paid on the loans sold to Cagamas are no longer recognised on a net basis as 'non-interest income' and are now recognised on a gross basis as 'interest income' and 'interest expense'.

The group comparative balances are restated as follows:

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
<u>Balance sheets</u>			
Loans, advances and financing	38,129,922	276,796	38,406,718
Other assets	398,908	19,414	418,322
Amount due to Cagamas	-	(299,846)	(299,846)
Other liabilities	(1,085,285)	3,636	(1,081,649)
<u>Income statements</u>			
Interest income	(2,800,808)	(24,916)	(2,825,724)
Interest expense	1,524,283	20,583	1,544,866
Non-interest income	(539,201)	4,333	(534,868)
<u>Off-balance sheet disclosures</u>			
Commitments and Contingencies	34,277,821	(299,846)	33,977,975

Company No.

163211

V

**RASHID HUSSAIN BERHAD**  
(Incorporated in Malaysia)

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

We, Tan Sri Dato' Abdul Rashid Hussain and Dato' Zulkifli bin Abdul Rahman, being two of the directors of Rashid Hussain Berhad state that, in the opinion of the directors, the financial statements set out in pages 47 to 108 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 30 June 2002 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

Signed in accordance with a resolution of the Board of Directors dated 30 August 2002.



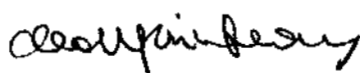
**TAN SRI DATO' ABDUL RASHID HUSSAIN**  
EXECUTIVE CHAIRMAN



**DATO' ZULKIFLI BIN ABDUL RAHMAN**  
DIRECTOR

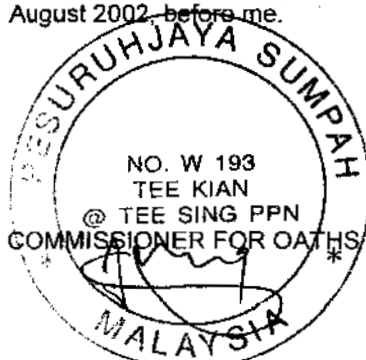
**STATUTORY DECLARATION PURSUANT TO  
SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Chong Kin Leong, the director primarily responsible for the financial management of Rashid Hussain Berhad, do solemnly and sincerely declare that the accompanying balance sheets of the Group and of the Company as at 30 June 2002 and the related income statements and cash flows of the Group and the Company for the financial year then ended, together with the notes thereto 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.



**CHONG KIN LEONG**

Subscribed and solemnly declared by the abovenamed Chong Kin Leong at Kuala Lumpur in Malaysia on 30 August 2002, before me.



Bilik 2, Tingkat 2  
Wisma Ann Koui  
Jln Ampang,  
50450 Kuala Lumpur.

## REPORT OF THE AUDITORS TO THE MEMBERS OF RASHID HUSSAIN BERHAD

We have audited the financial statements set out on pages 47 to 108. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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, applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines 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 30 June 2002 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

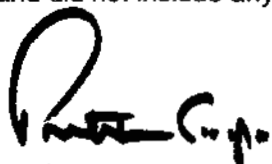
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 9 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' report thereon.

REPORT OF THE AUDITORS TO THE MEMBERS OF  
RASHID HUSSAIN BERHAD (CONTINUED)

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

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



PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants



DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN  
(No. 1867/09/02(J))  
Partner of the firm

Kuala Lumpur  
30 August 2002

**PROFORMA BALANCE SHEETS OF MRCB GROUP TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**



The Board of Directors  
Malaysian Resources Corporation Berhad  
Level 10, Menara MRCB  
No. 2, Jalan Majlis 14/10  
Seksyen 14  
40000 Shah Alam

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
11th Floor Wisma Sime Darby  
Jalan Raja Laut  
P O Box 10192  
50706 Kuala Lumpur, Malaysia  
Telephone +60 (3) 2693 1077  
Facsimile +60 (3) 2693 0997

28 October 2002

PwC/LKS/sw/0989J

**MALAYSIAN RESOURCES CORPORATION BERHAD  
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2001**

Dear Sirs,

We have reviewed the Proforma Consolidated Balance Sheets of Malaysian Resources Corporation Berhad ('MRCB') and its subsidiaries ('MRCB Group') as at 31 August 2001 together with the notes thereto, which have been prepared for inclusion in the Circular to Shareholders to be dated 31 October 2002 in connection with the proposed disposal of MRCB's entire 22.7% equity interest in Rashid Hussain Berhad for a total cash consideration of RM504.6 million, for which the Directors of MRCB are solely responsible.

Based on the results of our review, we confirm that the Proforma Consolidated Balance Sheets of MRCB as at 31 August 2001, which are provided for illustrative purposes only, have been properly compiled on the bases set out in the notes to the Proforma Consolidated Balance Sheets.

Yours faithfully,

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

## MALAYSIAN RESOURCES CORPORATION BERHAD ('MRCB') AND ITS SUBSIDIARIES ('MRCB GROUP')

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2001

The Proforma Consolidated Balance Sheets set out below are provided for illustrative purposes only, to show the effects on the audited consolidated balance sheet of the MRCB Group as at 31 August 2001 had the disposal of Commerce Asset Holdings Berhad ('CAHB') by Pitisan Sdn. Bhd. ('PSB'), a wholly owned subsidiary of The New Straits Times Press (Malaysia) Berhad, an associate of MRCB, and of Sepang Power Sdn. Bhd. ('Sepang Power'), a subsidiary, by MRCB, and the Proposed Disposal of Rashid Hussain Berhad ('RHB') described in Note 2 been effected as at that date, and should be read in conjunction with the notes accompanying thereto:

		Proforma I	Proforma II	Proforma III
	Audited at 31.8.2001 RM'000	After disposal of CAHB by PSB RM'000	After disposal of Sepang Power RM'000	After proposed disposal of RHB RM'000
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	441,541	441,541	316,662	316,662
Development properties	738,188	738,188	738,188	738,188
Associates	682,186	849,578	849,578	579,578
Other investments	1,297	1,297	1,297	1,297
Project development expenditure	8,549	8,549	-	-
Goodwill on consolidation	8,944	8,944	8,944	8,944
<b>CURRENT ASSETS</b>				
Development properties	233,900	233,900	233,900	233,900
Inventories	11,749	11,749	11,749	11,749
Trade and other receivables	520,507	520,507	450,622	450,622
Short term investment	290	290	290	290
Bank balances and deposits	334,689	334,689	516,536	562,497
	1,101,135	1,101,135	1,213,097	1,259,058
<b>CURRENT LIABILITIES</b>				
Trade and other payables	(536,354)	(536,354)	(475,887)	(471,887)
Short term borrowings	(831,052)	(831,052)	(667,215)	(213,066)
Taxation	(27,046)	(27,046)	(41,046)	(41,046)
	(1,394,452)	(1,394,452)	(1,184,148)	(725,999)
Net current (liabilities)/assets	(293,317)	(293,317)	28,949	533,059

## MALAYSIAN RESOURCES CORPORATION BERHAD ('MRCB') AND ITS SUBSIDIARIES ('MRCB GROUP')

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2001 (CONTINUED)

		Proforma I	Proforma II	Proforma III
	Audited at 31.8.2001 RM'000	After disposal of CAHB by PSB RM'000	After disposal of Sepang Power RM'000	After proposed disposal of RHB RM'000
NON CURRENT LIABILITIES				
Long term borrowings	(989,902)	(989,902)	(989,902)	(989,902)
Deferred taxation	19,159	19,159	19,159	19,159
Other long term liabilities	(32,685)	(32,685)	(32,685)	(32,685)
	<u>(1,003,428)</u>	<u>(1,003,428)</u>	<u>(1,003,428)</u>	<u>(1,003,428)</u>
	<u>583,960</u>	<u>751,352</u>	<u>940,190</u>	<u>1,174,300</u>
CAPITAL AND RESERVES				
Share capital	976,550	976,550	976,550	976,550
Share premium	1,008,463	1,008,463	1,008,463	1,008,463
Other reserves	86,973	49,436	49,436	790
Accumulated losses	(1,598,872)	(1,393,943)	(1,205,105)	(922,349)
Shareholders' funds	<u>473,114</u>	<u>640,506</u>	<u>829,344</u>	<u>1,063,454</u>
MINORITY INTEREST	110,846	110,846	110,846	110,846
	<u>583,960</u>	<u>751,352</u>	<u>940,190</u>	<u>1,174,300</u>
Net Tangible Assets ('NTA')	50,467	217,859	415,246	971,579
NTA per share (RM)	<u>0.05</u>	<u>0.22</u>	<u>0.42</u>	<u>0.99</u>

MALAYSIAN RESOURCES CORPORATION BERHAD ('MRCB') AND ITS SUBSIDIARIES ('MRCB GROUP')

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2001 (CONTINUED)

The Proforma Consolidated Balance Sheets of the MRCB Group have been prepared solely for illustrative purposes on the following bases and assumptions:

- 1 The Proforma Consolidated Balance Sheets of the MRCB Group have been prepared based on the audited consolidated balance sheet of the MRCB Group as at 31 August 2001 and are based on accounting policies and bases consistent with those normally adopted by MRCB in the preparation of its audited financial statements and comply with the applicable approved accounting standards in Malaysia.
- 2 The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only to show the effect of the proposed disposal by MRCB of its entire 22.7% equity interest in Rashid Hussain Berhad ('RHB'), comprising 105,127,000 ordinary shares of RM1.00 each, for a total cash consideration of RM504.6 million or RM4.80 per ordinary share ('Proposed Disposal'), assuming that the Proposed Disposal had been effected on 31 August 2001.
- 3 The Proforma Consolidated Balance Sheets:

(a) Proforma I

Proforma I incorporates on a proforma basis the effects of the disposal of Commerce Asset Holdings Berhad ('CAHB') by Pitisan Sdn. Bhd. ('PSB'), a wholly owned subsidiary of The New Straits Times Press (Malaysia) Berhad ('NSTP'), an associate of MRCB, in two tranches.

Tranche 1 of the disposal was effected in October 2001 which saw the disposal of 6,900,000 ordinary shares in CAHB by PSB at a price of RM6.50 per share for a consideration of RM44.9 million satisfied by cash.

Tranche 2 of the disposal was effected in April 2002 which saw the disposal of 140,000,000 ordinary shares in CAHB by PSB to the Employees' Provident Fund ('EPF') at a price of RM6.50 per share for a consideration of RM910.0 million satisfied also by cash.

MRCB holds a 43.53% equity interest in NSTP as at 31 August 2001.



## 3 The Proforma Consolidated Balance Sheets (continued):

## (b) Proforma II

Proforma II incorporates the effects of Proforma I and on a proforma basis the effects of the following:

- (i) the effects of the disposal of MRCB's entire 70% equity interest of Sepang Power Sdn. Bhd. ('Sepang Power') in May 2002, comprising 700,000 ordinary shares of RM1.00 each to Tenaga Nasional Berhad for a consideration of RM115.0 million satisfied by cash; and
- (ii) the effects of the proposed receipt of the compensation amount of RM67.0 million to be satisfied wholly by cash for work done, termination costs and the release of all Sepang Powers obligation with MRCB and its subsidiaries following the disposal of Sepang Power by MRCB as mentioned in Note 3(b)(i) above. The compensation amount does not form part of the Sepang Power disposal consideration of RM115.0 million as the amount does not relate to the disposal price of the said Sepang Power shares.

## (c) Proforma III

Proforma III incorporates the effects of Proforma II and on a proforma basis the effects of the proposed disposal of MRCB's entire 22.69% equity interest in RHB for a total cash consideration of RM504.6 million.

It is assumed that the total cash consideration of RM504.6 million received from the Proposed Disposal is utilised as follows:

	RM'000
Part repayment of MRCB Group's short term borrowings	454,149
Working capital	49,961
Estimated expenses of the Proposed Disposal	500
	<hr/> 504,610 <hr/>

Note: MRCB received RM4.0 million, being a portion of the total earnest sum of RM5.05 million i.e. 1% of the total cash consideration of RM504.6 million, on 25 July 2001. Consequently, included in trade and other payables as at 31 August 2001 is the corresponding amount of RM4.0 million.

## MALAYSIAN RESOURCES CORPORATION BERHAD ('MRCB') AND ITS SUBSIDIARIES ('MRCB GROUP')

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2001 (CONTINUED)

4	Movement of reserves	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Other reserves RM'000
	Audited consolidated balance sheet as at 31 August 2001	976,550	1,008,463	(1,598,872)	86,973
	Share of gain on disposal of CAHB by PSB	-	-	167,392	-
	Release of share of statutory reserves on disposal of CAHB by PSB	-	-	37,537	(37,537)
	As shown in Proforma I	976,550	1,008,463	(1,393,943)	49,436
	Gain on disposal of Sepang Power and compensation income arising from the disposal of Sepang Power	-	-	188,838	-
	As shown in Proforma II	976,550	1,008,463	(1,205,105)	49,436
	Gain on proposed disposal of RHB	-	-	234,110	-
	Release of share of statutory reserves on disposal of RHB	-	-	48,646	(48,646)
	As shown in Proforma III	976,550	1,008,463	(922,349)	790

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**FURTHER INFORMATION****1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable inquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Information relating to RHB and UBGB has been extracted from documents furnished by RHB and UBGB respectively. The responsibility of the Directors of MRCB is therefore restricted to accurate reproduction of the relevant information as included in this Circular.

**2. CONSENTS**

CIMB and PricewaterhouseCoopers have given and have not subsequently withdrawn their written consents to the inclusion in this Circular of their names and / or letters and all references to them in the form and context in which they appear.

**3. MATERIAL LITIGATION****(a) MRCB Group**

Save as disclosed below, neither MRCB nor its subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors do not have any knowledge or any proceedings pending or threatened against the MRCB Group or of any facts likely to give rise to any proceedings which might materially affect the position or business of the MRCB Group:

**(i) KUALA LUMPUR HIGH COURT (CIVIL NO. D7-22-1600-2000) HEE CHOI & 2 ORS V MRCB**

The plaintiffs (Hee Choi, Khoo Chee Ming and Khoo Chee Keong) were the previous owners of 1,440,000 ordinary shares of Region Resources Sdn Bhd ("Region Resources"). By a sale and purchase agreement dated 21 December 1998 ("Sale and Purchase Agreement"), MRCB acquired the said shares in Region Resources from the plaintiffs for the sum of RM1,656,000.00. In addition thereto, MRCB agreed to procure the release and discharge of the personal guarantees furnished by the plaintiffs to secure the borrowings of Region Resources.

By the abovementioned suit, the plaintiffs are seeking an order for the specific performance of the said Sale and Purchase Agreement, in that MRCB must obtain the release and discharge of the said personal guarantees furnished by the plaintiffs. As at the date of filing of the abovementioned suit, the borrowings of Region Resources guaranteed by the plaintiffs amounted to RM11,188,118.00. In its defence, MRCB is contending that it has discharged its obligations under the said Sale and Purchase Agreement. On 23 July 2002, the plaintiffs had served MRCB with a Summary Judgement application to which MRCB had filed a reply on 12 August 2002. The hearing date for the Summary Judgement application was fixed on 5 September 2002.

Thereafter, MRCB filed in an Affidavit in reply to the Summary Judgement application on 6 September 2002. The plaintiffs' solicitors was then directed by the court to file in a Notice of Intention to proceed by 12 September 2002 and to file in their written submission by 5 November 2002. MRCB is required to file in its written submission by 3 December 2002 and the plaintiffs are to file in their written reply by 6 January 2003. The hearing date for the matter has been fixed by the court to be on 5 February 2003.

The Directors of MRCB are of the opinion that there are reasonable grounds of defence in this matter.

**(ii) WINDING UP NOTICE BY MULPHA TRADING SDN BHD AGAINST REGION RESOURCES SDN BHD ("REGION RESOURCES") FOR THE SUM OF RM1,008,079.61**

The claimant, Mulpha Trading Sdn Bhd ("MTSB"), served a notice dated 30 January 2002 pursuant to section 218 of the Act, on Region Resources on 31 January 2002 demanding payment of RM1,008,079.61 for goods sold and delivered and services rendered.

Both parties have agreed in principle on terms of settlement by Region Resources and the settlement proposal is pending finalisation.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

**(iii) LETTER OF DEMAND MADE UNDER SECTION 218 OF THE ACT BY SIN CHEE HENG (BUTTERWORTH) SDN BHD AGAINST REGION RESOURCES SDN BHD FOR THE SUM OF RM36,814.19**

Vide a Letter of Demand dated 18 July 2002 issued by their solicitors Messrs. Cheong Wai Meng & Van Buerle, Sin Chee Heng (Butterworth) Sdn Bhd ("SCH") has made a claim for the sum of RM36,814.19 ("the said sum") being the sum due and owing to SCH pursuant to a Judgement made on even date in the Sessions Court at Georgetown, Pulau Pinang together with interest at the rate of 1.5% per month from 29 September 2000 until the date of full settlement together with the costs of the action taken under Summons No. 52-207-2002-1 which costs amount to RM1,056.00. The said Letter of Demand has given Region Resources a total of twenty-one (21) days from receipt thereof to repay the said sum, failure of which action will be taken to wind up Region Resources under section 218 of the Act. Region Resources received the said Notice of Demand on 1 August 2002.

An amicable settlement has been reached with SCH whereby Region Resources has agreed to pay all sums due and owing to them by way of three (3) instalments.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

**(iv) KUALA LUMPUR HIGH COURT (ORIGINATING SUMMONS NO. D1-24-294-2001) MRCB V JURANAS SDN BHD**

Juranas Sdn Bhd ("Juranas") is claiming from MRCB the sum of RM6,000,000 as agreed commission fees for the Skudai Army Camp Project. Juranas had served a notice dated 9 January 2002 pursuant to section 218 of the Act on MRCB demanding payment of such sum. MRCB is disputing the claim by Juranas and had vide the abovementioned suit sought an injunction to prevent Juranas from presenting a winding up petition against MRCB.

The interim order for ex-parte injunction sought by MRCB was granted on 31 October 2001. At the last hearing of the suit on 19 November 2001, Juranas had given an undertaking to the High Court not to present any winding up petition against MRCB until the disposal of the suit. The matter was fixed for decision on 28 February 2002 where the Court enjoined Juranas from presenting a winding up petition against MRCB. Juranas then filed a Notice of Appeal against the Court's decision on 18 March 2002 and pursuant thereto had served MRCB with the Record of Appeal on 25 June 2002. The matter is now pending for MRCB to reply to the said Record of Appeal to which no date has been fixed by the Court.

The Directors of MRCB are of the opinion that there are reasonable grounds of defence in this matter.

**(v) HIGH COURT SHAH ALAM (WRIT SUMMONS NO. MT5-22-846-2001) INXCEL PROPERTIES SDN BHD (FORMERLY KNOWN AS PERSADA WILAYAH SDN BHD) V MRCB**

In this matter, MRCB has received a letter of demand dated 10 October 2001 from Inxcel claiming the sum of RM4,500,000 as damages for breach of contract. A Writ of Summons dated 10 November 2001 in respect of the claim was served on MRCB on 24 January 2002. MRCB entered appearance on 31 January 2002 and its defence was filed on 14 February 2002. The Court has fixed a pre-trial Case Management to be heard on 10 February 2003.

MRCB is disputing the claim and the Directors of MRCB are of the opinion that there are reasonable grounds of defence in this claim.

**(vi) SHAH ALAM HIGH COURT (SUIT NO. MT4-22-240-2000) LEE CHEE THING V MILMIX SDN BHD (FORMERLY KNOWN AS MRCB CONSTRUCTION SDN BHD) & MOHD. ZAMRI MOHD YUSOFF**

In this matter, the plaintiff is a professional engineer as well as a developer of several development projects. He is also a director of a company known as Rich Annexe Sdn Bhd, which is the developer of a 12-storey condominium known as "Mutiaras Sentul". Milmix Sdn Bhd ("Milmix") is the main contractor for Mutiaras Sentul. The second defendant, Mohd Zamri Mohd Yusoff ("Zamri") was a senior manager of Milmix.

The plaintiff is suing Milmix and Zamri for defamation or libel based on the allegation that Zamri had written libellous statements in July 2000 in a letter addressed to the plaintiff which was published to other third persons. The plaintiff's claim is for the sum of RM2,000,000 in damages together with aggravated damages and costs. Milmix has filed its defence and disputes the claims on the basis of inter alia qualified privilege and justification.

Initially, Milmix counterclaimed against the plaintiff the sum of RM2,845,196.51 as outstanding sums due for work done under interim building certificates for the said Mutiaras Sentul project. Milmix has since then obtained an order from the High Court on 15 October 2001 to withdraw such counterclaim from the abovementioned suit. However, Milmix has referred its claim under the said interim building certificates to arbitration for resolution.

Hearing of the plaintiff's application for pre-trial Case Management is currently ongoing of which the latest date has been fixed on 27 January 2003.

The Directors of MRCB are of the opinion that Milmix has a reasonable defence against the claims.

**(vii) CLAIM BY HT MALTEC CONSULTANTS SDN BHD AGAINST SERI IPOH-LUMUT EXPRESSWAY SDN BHD FOR THE SUM OF RM10,092,800.00**

By a letter of demand dated 2 August 2001, HT Maltec Consultants Sdn Bhd ("Maltec") has claimed against Seri Ipoh-Lumut Expressway Sdn Bhd ("Silex") the sum of RM10,092,080 owing by Silex to Maltec pursuant to a consultancy agreement dated 27 October 1999. Maltec has stated in the said letter of demand that it will refer the matter to arbitration in the event of non-payment of the said outstanding sum. Silex disputes any such liability pertaining to the said outstanding sum and the matter is now pending a referral to arbitration by Maltec.

The Directors of MRCB are of the opinion that there are reasonable grounds of defence in this matter.

**(viii) KUALA LUMPUR HIGH COURT (WINDING UP NO. D1-28-583-2000) RHB BANK V ZAFRAN HOLDINGS SDN BHD, MRCB AS A SUPPORTING CREDITOR**

In this matter, MRCB agreed with 5 individuals, being Jamalluddin Mahmud, Mariam Abdul Aziz, Diba Jamalluddin Mahmud, Amir Jamalluddin Mahmud and Zaid Jamalluddin, for the purchase of 80% of the equity of Zafran Holdings Sdn Bhd ("Zafran Holdings") for the sum of RM1,539,353.50 on the condition that Zafran Holdings would acquire a land known as HS(D) 83713-82727, Mukim Ampang, Daerah Wilayah Persekutuan ("the Land"). MRCB made advances to Zafran Holdings for the purchase of the Land in the sum of RM2,889,873.50.

A petition to wind up Zafran Holdings was filed by RHB Bank on 11 July 2000. MRCB has filed a Notice of Intention to Appear in Support of the said Petition on 15 September 2000. At the last hearing for the winding-up petition filed by RHB Bank on 22 November 2001, the High Court postponed the hearing for such petition until further notice. MRCB has instructed its solicitors to institute an action against the abovenamed 5 individuals, pending the hearing of the said winding up petition, to claim the refund of the purchase consideration together with interest accruing in the sum of the RM1,086,937.70 as at 26 April 2000. The sealed copy of the Writ of Summons was extracted from the Court on 21 February 2002 and has been served on all the defendants, who have proceeded to enter their respective appearances on 14 March 2002. The defendants subsequently filed a defence and counterclaim against MRCB on 23 April 2002. MRCB had on 17 May 2002 filed a reply to the defendants' defence and a defence to the defendants' counterclaim.

MRCB has filed a summary judgement application against the defendants on 25 July 2002. The latest hearing date has been fixed by the Court to be on 12 November 2002.

The Directors of MRCB are of the opinion that it has merit and has a reasonable chance of success in its claim against the abovenamed 5 individuals. However, the directors of MRCB are unable to opine on the petition for winding up of Zafran Holdings filed by RHB Bank.

**(ix) KUALA LUMPUR HIGH COURT (CIVIL SUIT NO. D7-22-1919-2000) MRCB V MOHD RAZI BIN SHAHADAK & 2 ORS**

The first two defendants, Mohd Razi bin Shahadak and Mohd. Zuhdi bin Muda, are shareholders and directors of the third defendant, ST Industrial Clay Sdn Bhd ("STI Clay"). MRCB has filed a claim against them to recover the total sum of RM6,673,140.00 comprising as follows:

- RM6,500,000.00 being amounts paid to the first and second defendants under a conditional Shareholders' Agreement dated 4 April 1997 (the "Shareholders' Agreement") for the acquisition of the rights of allotment of 6,000,000 ordinary shares in the capital of STI Clay pursuant to rights issue to be undertaken by STI Clay;
- RM173,140.00 being an amount advanced to STI Clay in respect of a mining lease.

MRCB filed an application for Summary Judgement against the defendants and the matter was fixed for mention on 27 December 2001. On the date of mention, MRCB sought to file an affidavit in reply and the Court granted the request. Since then, MRCB had withdrawn its application for summary judgement because there was in fact a triable issue. The Court had set the date for the parties to file their respective Bundle of Documents on 14 November 2002.

The Directors of MRCB are of the opinion that MRCB has merit and a reasonable chance of success in its claim.

**(x) SHAH ALAM HIGH COURT (WINDING UP NO. 28-90-2001) MRCB V CSK VENTURES SDN BHD**

Vide Kuala Lumpur High Court Civil suit No. D3-22-3342-1998 filed by MRCB against CSK Ventures Sdn Bhd ("CSK"), MRCB sued CSK for breaching the conditions under a share sale and purchase agreement made between them whereby MRCB was to acquire the shares in a company known as Galian Bersama Sdn Bhd. MRCB obtained an order for summary judgement against CSK for the sum of RM6,000,000.00 together with interest at the rate of 12% per annum from 2 June 1998.

MRCB served a notice under section 218 of the Act against CSK on 4 October 1999 for failure to settle the judgement sum. On 4 May 2001 MRCB presented a petition for the winding up of CSK. The said petition for winding up CSK was heard on 14 January 2002. However, MRCB has discovered that CSK was already wound up prior to the hearing of the petition (i.e. by Hong Leong Finance Berhad on 14 February 2001). MRCB has therefore withdrawn its petition for winding up and on 8 March 2002, a proof of debt has already been lodged with the Official Assignee who as at the date of this Circular has yet to call for a creditors' meeting.

The Directors of MRCB are of the opinion that it has no reasonable chance of obtaining a full recovery of its claim.

**(xi) CLAIM BY MILMIX AGAINST RICH ANNEXE SDN BHD ('RICH ANNEXE') FOR THE SUM OF RM2,845,196.51**

Rich Annexe Sdn Bhd ("Rich Annexe") is the developer of a 12-storey condominium project known as Mutiara Sentul. Milmix is its main contractor for the said project. Milmix is claiming the sum of RM2,845,196.51 as outstanding due for work done pursuant to interim building certificates for the said project. Milmix served a notice pursuant to section 218 of the Act on Rich Annexe on 21 November 2001 demanding payment of the said sum. On 5 March 2002, the Court granted an injunction against Milmix from filing a winding up petition against Rich Annexe.

On 21 March 2002 Milmix has proceeded to instruct its solicitors to file a Notice of Appeal against the Court's decision. The Notice of Appeal was filed on 4 April 2002 and the case is currently pending for the appeal to be heard against the injunction obtained by Rich Annexe.

The Directors of MRCB are of the opinion that MRCB has merit and a reasonable chance of success in its claim.

(xii) **SHAH ALAM HIGH COURT (WRIT SUMMONS NO. MT5-21-200-2001)  
MAJLIS BANDARAYA SHAH ALAM V MRCB SELBORN  
CORPORATION SDN BHD**

Majlis Bandaraya Shah Alam ("MBSA") served a Writ of Summons dated 1 November 2001 on MRCB Selborn Corporation Sdn Bhd ("MSCSB") on 1 February 2002, claiming arrears of assessment tax totalling RM2,208,101.20 due and owing by MSCSB. Appearance was entered by MSCSB on 8 February 2002 but at the request of MSCSB's solicitors, extensions have been granted by MBSA's solicitors for MSCSB to enter its defence. This is to facilitate the negotiations currently taking place between the parties to settle the matter amicably. It is understood that both MBSA and MSCSB are agreeable to setting-off the amounts owing to MBSA by MSCSB by way of transferring to MBSA properties belonging to the MRCB Group.

In a letter dated 10 April 2002, MBSA had accepted one of the properties originally proposed by MSCSB to set-off the amounts due to MBSA, but however were not agreeable to the other 3 properties proposed. In the same letter, MBSB had made a counter proposal whereby it has suggested that other properties (owned by the MRCB Group) be used for the purposes of setting off the debt.

Pursuant to a meeting between MRCB and MBSA's Head of Legal Division on 18 April 2002, MBSA had agreed to withdraw its action against MSCSB provided MSCSB conveys a letter expressly requesting MBSA to do so. Currently, only a draft letter has been prepared but the salient terms include, inter alia, that (i) MSCSB is making a formal request to MBSA to withdraw its action but the latter is at liberty to re-file the same (ii) that MSCSB has agreed to bear MBSA's solicitors' costs in this action.

The Directors are of the opinion that this matter can be amicably settled.

(xiii) **HIGH COURT OF SABAH & SARAWAK IN THE FEDERAL  
TERRITORY OF LABUAN (WRIT SUMMONS NO. L22-05-2002)  
SYARIKAT DAYAUSAHA BUMIPUTRA-PUTRA ENTREPRENEUR JV  
(SUING AS A FIRM) V MRCB ENGINEERING SDN BHD & MRCB**

Via a letter of award dated 20 March 2001 which was issued by MRCB ("the Second Defendant"), Syarikat Dayausaha Bumiputra-Putra Entrepreneur JV ("the Plaintiff") was appointed as the sub-contractor to carry out infrastructure and external works in respect of the construction and completion of a proposed matriculation college at Jalan OKK Daud, Kampung Merinding, Labuan ("the Project") for a sub-contract sum of RM19,606,021.30. The contract for the Project was issued to MRCB Engineering Sdn Bhd ("the First Defendant"), a wholly owned subsidiary of the Second Defendant.

The First Defendant had then issued a letter dated 10 October 2001 ("Purported Letter of Termination") whereby the sub-contract was purportedly terminated. It was argued by the Plaintiff that the purported termination was carried out wrongfully and prematurely. By that date, the Plaintiff had already incurred costs for mobilising its work force, procuring the necessary materials, machinery, equipment and other accessories either by purchasing the same outright and/or by hiring the machinery and equipment for the specific purpose of undertaking the works in relation to the Project.



A Writ of Summons dated 11 March 2002 was served on the First Defendant and the Second Defendant by the Plaintiff whereby the Plaintiff has made a total claim of RM16,612,611.35 against the First Defendant (or alternatively, the Second Defendant) for wrongful and premature termination of a sub-contract allegedly entered into between the Plaintiff and the First Defendant.

Conditional appearance was entered on behalf of both the First Defendant and the Second Defendant on 12 April 2002. A Striking Out application and a Stay of Proceeding application was subsequently filed by the First Defendant and the Second Defendant on 24 April 2002. Pursuant to these applications, the Court has ruled that the First Defendant and the Second Defendant file in a written submission on or before 15 August 2002 and that the Plaintiff is to file its written reply on or before 29 August 2002. The First Defendant and the Second Defendant are to file any further written submission by 12 September 2002. The delivery of the decision has been fixed by the Court to be on 16 December 2002.

The Directors of MRCB are of the opinion that there are reasonable grounds of defence in this matter.

- (xiv) **CLAIM AGAINST MRCB BY SUEDY SUWENDY (PASSPORT NO: A337056), SUWENDY (PASSPORT NO: A885321), ISKANDAR KADRY BIN ABDUL KADIR (PASSPORT NO: 4890296-B), DEWI SUWENDY (PASSPORT NO: B008289), ADIL (SINGAPOREAN IC NO: 2194842-B), ROSAINI BINTI HAJI ABDUL LATIF (PASSPORT NO: 1296733-B), SAW KHENG HOE (PASSPORT NO: 5572223-B) (COLLECTIVELY "THE CLAIMANTS") FOR A SUM OF APPROXIMATELY RM30,350,000.00**

MRCB Property Development Sdn Bhd ("MPD"), a wholly owned subsidiary of the Company, had entered into a Share Sale Agreement dated 2 January 2001 ("SSA") with the Claimants whereby MPD intends to purchase 24,000,006 fully paid ordinary shares of RM1.00 each ("the Sale Shares") representing the Claimants' entire shareholding in Taman Ratu Sdn Bhd ("TRSB") and also representing 100% of the issued and paid-up capital of TRSB for a total purchase consideration not exceeding RM15,417,000.00.

Alleging delays and/or failure on the part of MPD in completing the transaction, Messrs. KT Tan & Co (solicitors for the Claimants) had by letter dated 28 February 2002 demanded the following:

- a sum of RM10,563,000.00 to be released to Messrs. KT Tan & Co (as stakeholders of the Claimants) for the purposes of disbursement to TRSB's creditors;
- a sum of RM9,020,000.00 to be disbursed to Aseambankers Malaysia Berhad ("Aseambankers");
- a sum of RM9,417,000.00 to be paid to the Claimants' authorised representative, Mr. Suedy Suwendy;
- a sum amounting to approximately RM600,000.00 to be paid to Messrs. KT Tan & Co as stakeholders for late payment interest on the balance sum (excluding the sum to be paid to Aseambankers) from the date of the FIC approval until end February 2002; and
- a sum of approximately RM750,000.00 being penalty or late payment interest owing to Aseambankers.

MPD has denied liability and alleged that the conditions precedent to the SSA have not been fulfilled. At the same time, MPD has demanded repayment of RM6,000,000.00 being the monies already by paid by MPD under the terms of the SSA.

The Directors of MRCB are of the opinion that MPD has reasonable grounds of defence to the Claimants' demands and that MPD's claim has merit and a reasonable chance of success.

**(xv) WINDING UP NOTICE BY HOHUA GLAZIER SDN BHD V MILMIX**

Milmix had been served with Winding-Up Notice dated 6 May 2002 under Section 218 of the Act by Hohua Glazier Sdn Bhd ("HGSB") on the same date, claiming payment for work done of amount RM36,131.52.

After internal verification was carried out by MRCB's Treasury Department, it was concluded that the total amount owing to HGSB was RM31,615.09 and not RM36,131.52 as originally claimed. Subsequently, another Winding-Up Notice dated 9 July 2002 under Section 218 of the Act was then served on Milmix on the same date whereby HGSB has made a claim for the total amount of RM31,615.09 for works completed by the claimant for the Kota Kemuning Project.

Subsequently, on 22 August 2002, the Board of Director of Milmix approved a Proposed Debt Settlement through a Scheme of Arrangement ("the Scheme of Arrangement") pursuant to Section 176 of the Companies Act 1965 ("section 176"). The Court had on 23 September 2002, granted Milmix, a Restraining Order pursuant to section 176 ("RO") for a period of 3 months from the date of the RO. The matter is pending for Milmix to settle HGSB's claim in accordance with the terms of the Scheme of Arrangement.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

**(xvi) HIGH COURT OF SHAH ALAM (WINDING UP PETITION NO: 28-187-2002) BETWEEN CLASSIC ALUMINIUM & GLAZIER SDN BHD AND MILMIX**

Milmix had been served with a Winding-Up Notice dated 6 May 2002 under Section 218 of Act by Classic Aluminium & Glazier Sdn Bhd ("CAGSB") on the same date, claiming payment for work done of amount RM146,047.70.

After internal verification was carried out by MRCB's Treasury Department, it was concluded that the total amount owing to CAGSB was RM134,047.76 and not RM146,047.70 as originally claimed. Subsequently, another Winding-Up Notice dated 9 July 2002 under Section 218 of the Act was then served on Milmix on the same date whereby CAGSB has made a claim for the total amount of RM134,047.76 for works completed by the claimant for the Kota Kemuning Project.

Subsequently, on 22 August 2002, the Board of Directors of Milmix approved a Proposed Debt Settlement through the Scheme of Arrangement pursuant to Section 176 of the Companies Act 1965 ("section 176"). The Court had on 23 September 2002, granted Milmix, a Restraining Order pursuant to section 176 ("RO") for a period of 3 months from the date of the RO. The matter is pending for Milmix to settle CAGSB's claim in accordance with the terms of the Scheme of Arrangement.

In the meantime, CAGSB had proceeded to serve a Winding-Up Petition on Milmix on 2 October 2002. The date for hearing the petition has been fixed by the Court to be on 22 January 2003. It was agreed that if no settlement could be obtained via the Scheme of Arrangement, CAGSB would proceed with its Winding-Up Petition.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

**(xvii) WINDING UP NOTICE BY OMAZOL CORPORATION SDN BHD V MILMIX**

Milmix had been served with Winding-Up Notice dated 7 June 2002 under Section 218 of the Act by Omozol Corporation Sdn Bhd ("Omozol") on whereby the claimant has made a claim for the sum of RM124,676.93 being the outstanding amount due and owing by Milmix to Omozol as at 6 December 2001 pursuant to a Statement of Account issued by Milmix in respect of the execution and completion of a Single Storey Bungalow (Type A, B & C), 124 Units and external work at A'Famosa Golf Resort, Mukim Pagoh, Daerah Alor Gajah, Melaka for Gymtech Development Sdn Bhd.

Subsequently, on 22 August 2002, the Board of Directors of Milmix approved a Proposed Debt Settlement through the Scheme of Arrangement pursuant to Section 176 of the Companies Act 1965 ("section 176"). The Court had on 23 September 2002, granted Milmix, a Restraining Order pursuant to section 176 ("RO") for a period of 3 months from the date of the RO. The matter is pending for Milmix on to settle Omozol's claim in accordance with the terms of the Scheme of Arrangement. In the meantime, Omozol had agreed to withdraw its Winding-Up Notice.

**(xviii) HIGH COURT OF PULAU PINANG (WINDING UP PETITION NO: 28-48-2002) BETWEEN MRCB PROPERTY DEVELOPMENT SDN BHD AND RICH FOCUS CORPORATION SDN BHD**

MRCB Property Development Sdn Bhd ("MPD") and Rich Focus Corporation Sdn Bhd ("Rich Focus") had entered into a sale and purchase agreement dated 5 October 2000 ("SPA") whereby the company has agreed to purchase 1,098,900 fully paid ordinary shares of RM1.00 each representing a 90% equity interest in KGN-RFC Development Sdn Bhd from Rich Focus for a total purchase consideration of RM7,500,000.00. MPD subsequently terminated the SPA on 1 December 2001 which termination was subsequently confirmed via an announcement made by the Board of MRCB on the KLSE on 5 December 2001. The reason given for the termination was the non-satisfaction of material conditions precedent by Rich Focus.

In addition thereto, MPD has pursuant to clause 4.2 of the SPA, requested in the 1 December 2001 letter that Rich Focus refund the amount of RM2,300,000.00 ("the said Sum") being the deposit and the second payment (paid by MPD under the terms of the SPA) within 14 days from the date of the 1 December 2001 letter ("the Original Deadline"). After several exchanges of correspondences in which Rich Focus made a number of requests to extend the deadline for repaying the sum and had proposed several repayment schedules (which schedules were constantly being changed by Rich Focus), a Winding Up Notice pursuant to section 218 of the Act dated 15 April 2002 was served on Rich Focus on the same date. In the said notice, MPD has claimed for the said Sum and that Rich Focus is required to secure or compound the said Sum to the reasonable satisfaction of the Company. Rich Focus again made further new proposals to repay the said Sum

A Winding Up Petition dated 14 May 2002 was filed in the High Court of Pulau Pinang whereby MPD has applied to the Court for the following:

- That Rich Focus be wound up by the Court under the provisions of the Act;
- That the official receiver be appointed for Rich Focus;
- That the costs of this petition be paid from the assets of Rich Focus; and
- Any other orders that the Court thinks fit.

The Winding Up Petition was gazetted on 26 September 2002 and the hearing date has been fixed by the court to be on 30 October 2002.

The Directors of MRCB are of the opinion that it has merit and has a reasonable chance of success in its claim against Rich Focus.

**(xix) HIGH COURT OF KUALA LUMPUR (WINDING UP PETITION NO: 28-675-2002) BETWEEN EVERTREND (M) SDN BHD AND MILMIX**

Milmix had been served with a Winding-Up Notice dated 28 June 2002 under Section 218 of the Act by Evertrend (M) Sdn Bhd ("Evertrend") on 8 July 2002, claiming payment for the amount of RM186,303.30 being an amount due and owing to Evertrend from Milmix. Evertrend is a subcontractor for the supply and instalment of parquet for the Company.

Subsequently, on 22 August 2002, the Board of Directors of Milmix approved a Proposed Debt Settlement through the Scheme of Arrangement pursuant to Section 176 of the Companies Act 1965 ("section 176"). The Court had on 23 September 2002, granted Milmix, a Restraining Order pursuant to section 176 ("RO") for a period of 3 months from the date of the RO. The matter is pending for Milmix to settle Evertrend's claim in accordance with the terms of the Scheme of Arrangement.

In the meantime, it was agreed that if no settlement could be obtained via the Scheme of Arrangement, Evertrend would proceed with its Winding-Up Petition.

Milmix is currently negotiating for a settlement with Evertrend. The Directors of MRCB are of the opinion that the matter will be amicably settled.

**(xx) NOTICE OF DEMAND (PURSUANT TO SECTION 218 OF THE ACT) BY APEXJAYA INDUSTRIES SDN BHD AGAINST MILMIX FOR THE SUM OF RM14,506.11**

Vide a Notice of Demand dated 30 July 2002 sent by their solicitors Messrs. Yip & Co., Apexjaya Industries Sdn Bhd ("Apexjaya") has made a claim for the sum of RM14,506.11 ("the said sum") being the balance due and payable for goods sold and delivered and services rendered to Milmix. The said Notice of Demand has given Milmix a total of twenty-one (21) days from receipt thereof to repay the said sum, failure of which action will be taken to wind up Milmix under section 218 of the Act. Milmix received the said Notice of Demand on 31 July 2002.

The matter is pending Milmix to negotiate for an amicable settlement with Apexjaya.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

**(xxi) NOTICE OF DEMAND (PURSUANT TO SECTION 218 OF THE ACT) BY MASTERPIECE ENGINEERING SDN BHD ("MASTERPIECE") AGAINST REGION RESOURCES FOR THE SUM OF RM246,715.91**

Vide a Notice of Demand dated 16 October 2002 sent by their solicitors Messrs. Cheah Poh Gek & Co., Masterpiece has made a claim for the sum of RM246,715.91 ("the said sum"). The said Notice of Demand has not specified whether the said sum was to be in consideration of goods sold and delivered or services rendered. The said Notice has also given Region Resources a total of twenty-one (21) days from receipt thereof to repay the said sum, failure of which action will be taken to wind up Region Resources under section 218 of the Act. Region Resources received the said Notice of Demand on 18 October 2002.

The matter is pending Region Resources to negotiate for an amicable settlement with Masterpiece.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

**(xxii) HIGH COURT OF KUALA LUMPUR (CIVIL SUIT NO: D-22-1666-02) BETWEEN EKOVEST-KMZ-Dragages SDN BHD ("THE PLAINTIFF") AND HSBC BANK MALAYSIA BERHAD ("THE FIRST DEFENDANT") AND KUALA LUMPUR SENTRAL SDN BHD ("THE SECOND DEFENDANT").**

The Second Defendant had appointed the Plaintiff as the main contractor for the KL Sentral development and its related infrastructure works ("the Project") for an agreed price of RM713,748,000.00 ("the Contract Sum") and a formal contract was entered into between them on 22 September 1997 ("the Contract"). The Contract was further varied by two further supplemental agreements, the second of which was executed on 13 December 2001 ("Second Supplemental Agreement") and in which the Contract sum was increased to RM889,996,420.35.

Pursuant to the Contract, the Plaintiff provided a performance security by way of a bank guarantee No. KLH97063 issued by the First Defendant in favour of the Second Defendant for the amount of RM35,687,400.00 on 30 April 1997 and renewed by bank guarantee no. KLH200883 issued on 12 January 2001 ("the Bank Guarantee").

Subsequently, the Second Defendant refused to issue the Taking Over Certificate on the basis that there remained uncompleted works. By its Writ of Summons dated 17 October 2002, the Plaintiff accused the Second Defendant of having acted fraudulently, unconscionably and in bad faith and in breach of the Contract and the Second Supplemental Agreement in the following manner:

- That the Second Defendant has continued to breach the Contract despite the Plaintiff having executed the Second Supplemental Agreement to reduce the Contract sum and having waived its claim for costs related to the extended time, suspension and variations;
- The Second Defendant's refusal to issue the Taking Over Certificate.

The Plaintiff also filed an ex-parte application on 17 October 2002 whereby the Plaintiff has prayed for the following:

- An injunction that the First Defendant be restrained from making payment to the Second Defendant on any claim and/or demand made by the Second Defendant on the Bank Guarantee; or

- An injunction that the Second Defendant be restrained from calling or demanding payment on the Bank Guarantee; or
- An injunction that the Second Defendant be restrained from receiving from the First Defendant all or any monies pursuant to the Bank Guarantee;
- General damages as against the First Defendant and/or the Second Defendant jointly and/or severally;
- Costs as against the First Defendant and/or the Second Defendant jointly and/or severally.

The matter was heard in chambers on 23 October 2002 whereby the Court has fixed the matter for hearing on 5 November 2002 and in the interim had granted a holding over injunction in terms of the second prayer (above). The Second Defendant is therefore restrained from calling on the Bank Guarantee until 5 November 2002 subject to any further injunctions granted by the Court on that date.

**(b) RHB Group**

Save as disclosed below as at 31 August 2002, RHB and its subsidiaries companies (excluding RHB Capital Berhad ("RHB Capital") and its subsidiaries companies) are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Board of RHB is not aware of any proceedings pending or threatened against RHB and its subsidiaries companies (excluding RHB Capital Berhad ("RHB Capital") and its subsidiaries companies) which may be materially affect the financial position and business of RHB and its subsidiaries companies (excluding RHB Capital Berhad ("RHB Capital") and its subsidiaries companies).

RHB-DAEWOO Sdn Bhd ("RHB DAEWOO"), a subsidiary of RHB is currently in discussions with its contractor in respect of claims made by the contractor against RHB-DAEWOO pertaining to prolongation costs and interest in relation to construction works amounting to approximately RM180.9 million as well as claims made by RHB-DAEWOO against the same contractor for value of works not done and potential liabilities arising therefrom, amounting to approximately RM1.5 million.

RHB-DAEWOO is also engaged in one material litigation which is not in the ordinary course of business as a defendant where the sum claimed is approximately RM1.6 million.

**RHB Capital Group**

Save as disclosed below as at 31 August 2002, RHB Capital and its subsidiary companies excluding RHB Sakura and its subsidiary companies, (collectively, "RHB Capital Group") are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Board of RHB is not aware of any proceedings pending or threatened against the RHB Capital Group which may materially affect the financial position and business of the RHB Capital Group.

RHB Capital is currently engaged in one material litigation which is not in the ordinary course of business as a plaintiff where the sum claimed is approximately RM32.8 million (which commenced on 7 November 2001), and arising from the same suit, a counterclaim of approximately RM258.69 million was filed against RHB Capital on 26 November 2001.

The subsidiaries of the RHB Capital are currently engaged in material litigation within the ordinary course of business as plaintiff totalling approximately RM1,995.4 million (where the earliest litigation commenced in 1984) and as defendant totalling approximately RM609.2 million (where the earliest litigation commenced in December 1991).

However, none of the material litigation is expected to have a material adverse effect on the financial results of the RHB Capital Group.

#### **RHB Sakura Group**

Save as disclosed below as at 31 August 2002, RHB Sakura and its subsidiary companies (collectively, "RHB Sakura Group") are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Board of RHB is not aware of any proceedings pending or threatened against the RHB Sakura Group which may materially affect the financial position and business of the RHB Sakura Group.

RHB Sakura is currently pursuing material litigations within the ordinary course of business as plaintiff totalling approximately RM99.2 million (where the earliest litigation commenced on 16 October 1999).

However, none of the material litigation is expected to have a material adverse effect on the financial results of the RHB Sakura Group.

*(Source: Extracted from RHB's circular to shareholders dated 25 September 2002)*

## **4. MATERIAL CONTRACTS**

### **(a) MRCB Group**

Save as disclosed below, there are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by MRCB or its subsidiaries within the two years immediately preceding the date of this Circular:

- (i) Share sale agreement dated 15 November 2000 between Webvision Inc and MRCB whereby MRCB agreed to acquire 202,500 ordinary shares of RM1.00 each or 81% of the equity interest in Webvision Sdn Bhd for a total consideration of RM202,500.00. Pursuant to the share sale agreement, the parties entered into a shareholders' agreement of the same date wherein parties agreed with each other than their relationship inter se as shareholders of Webvision Sdn Bhd be regulated in accordance with the stipulations, terms and conditions contained therein. The parties also entered into a Webvision Agency License agreement of the same date whereby in into a Webvision Agency License agreement of the same date whereby in consideration of Webvision Inc granting MRCB the exclusive right to distribute, sell or licence the program and to establish an unlimited quantity of Webvision Powered IDC in the territory, MRCB will pay Webvision Inc such Territory Agency Fees of an annual minimum sum of USD\$2.5 million for a period of five (5) years together with 5% of the Net Revenue of Sales, Annual purchase and resale of license volume of at least USD\$1.0 million of Webvision products and services. On 30 July 2002, MRCB issued a letter to Webvision Inc to terminate the above agreements.
- (ii) Joint venture agreement dated 18 December 2000 between MRCB, Amstek Corporation Sdn Bhd ("Amstek") and Dewan Technologies Sdn Bhd ("Dewan") for the purpose of developing and implementing a portal web-site to be known as "Halal dotcom" which will provide on-line services, consultancy and solution services to "halal" products. Pursuant to the said Joint Venture Agreement,

Ikhwan Asia Sdn Bhd (“IASB”) had been identified as the joint venture vehicle to implement the said project. Accordingly, MRCB will subscribe to 1.6 million ordinary shares of RM1.00 each representing 80% equity interest in IASB. Amstek and Dewan shall respectively subscribe for 200,000 ordinary shares of RM1.00 each in IASB representing 10% of the equity interest. By an announcement dated 20 September 2002 that was made to the KLSE, the Company disclosed that it had issued a letter to Amstek to terminate the joint venture agreement.

- (iii) A conditional agreement dated 22 October 2001 between MRCB, TV3 and Media Prima Berhad (formerly known as Profitune Berhad) (“Media Prima”), a wholly-owned subsidiary of MRCB, in respect of the parties’ mutual intention and obligation to restructure their respective businesses and indebtedness to their respective lenders.
- (iv) A conditional share sale agreement (“SSA”) dated 22 October 2001 between MRCB and Media Prima wherein MRCB agreed to sell and Media Prima agreed to purchase 94,035,540 ordinary shares of RM1.00 each representing approximately 43.5% of the issued and paid up capital of NSTP (“Sale Shares”) for the total purchase consideration of RM338,200,000.00 or RM3.60 per NSTP share. The purchase consideration is to be satisfied by Media Prima as follows:
  - (a) the issuance of RM182,700,000.00 nominal value of ICULS;
  - (b) the issuance of approximately 141.36 million new ordinary shares of RM1.00 each in Media Prima at an issue price of RM1.10 per share credited as fully paid-up; and
  - (c) the grant of the proposed put option(s) in favour of the scheme creditors of MRCB.

Subsequent to the SSA, on 21 January 2002, MRCB entered into a supplemental share sale agreement (“Supplemental SSA”) with Media Prima for the proposed sale, purchase and transfer of the Sale Shares to Media Prima. The consideration for the sale, purchase and transfer of Sale Shares was changed to the aggregate of RM357,335,052 or RM3.80 per share based on a willing buyer willing seller basis and to be satisfied as follows:

- (a) the issuance of RM180.0 million nominal amount of Media Prima ICULS in accordance with the terms and conditions more specifically set out in the Schedule 1 of the SSA without any payment on the part of MRCB;
  - (b) the issuance at an issue price of RM1.10 per share of 161,213,684 new ordinary shares of RM1.00 each in Media Prima ranking *pari passu* in all respects with the existing issued shares in Media Prima as at the date issue and allotment and credited as fully paid-up and free from encumbrances to MRCB; and
  - (c) the grant of the proposed put option(s) by Media Prima in favour of the scheme creditors of MRCB, the performance of which is to be secured by a pledge given by Media Prima over 47,368,421 NSTP shares comprising part of the Sale Shares and totalling 21.9% of the entire issued and paid up capital of NSTP.
- (v) A conditional share subscription agreement dated 22 October 2001 between MRCB and Media Prima wherein MRCB agreed to subscribe for 77,300,000 ordinary shares of RM1.00 each in Media Prima at the subscription price of RM1.10 per share or a total subscription price of RM85,030,000.00.



- (vi) Share sale agreement dated 23 November 2001 between MRCB and Tenaga Nasional Berhad ("TNB") whereby MRCB agreed to dispose to TNB its entire 70% equity interest in Sepang Power Sdn Bhd (amounting to 700,000 Sale Shares) for cash consideration of RM115,000,000.00, the initial payment of 10% of the consideration upon execution of the said Agreement and the balance 90% of the consideration being due at completion. The share sale agreement was subsequently varied by a variation agreement dated 17 May 2002 ("the Variation Agreement") that was entered into between MRCB and TNB. Upon the terms of the Variation Agreement, MRCB had, on the newly incorporated Completion Date (i.e. 20 May 2002), affected the transfer and registration of 300,000 Sale Shares to TNB. In addition thereto, MRCB shall continue to be the legal owner of 400,000 Sale Shares and shall transfer the 400,000 Sale Shares to TNB or its nominees upon TNB's instructions. A sum of RM65.7 million shall be considered as an interest free non-refundable advance by TNB to MRCB and which shall be converted into full and final payment for the 400,000 Sale Shares to MRCB upon the occurrence of the earlier of:
- (a) the instructions of TNB to transfer and register the 400,000 Sale Shares to TNB or its nominees;
  - (b) the sale and purchase agreement for the 400,000 Sale Shares between TNB and Mastika Lagenda Sdn Bhd ("Mastika") not being executed within three months from 17 May 2002; or
  - (c) the sale and purchase agreement for the 400,000 Sale Shares between TNB and Mastika not being completed within nine months from 17 May 2002.
- (vii) Share sale agreement dated 9 February 2002 between MRCB and TNB whereby MRCB agrees to dispose to TNB its entire 20% equity interest in Fibrecomm Network (M) Sdn Bhd ("FNMSB") for a cash consideration of RM22,000,000.00. The initial payment of RM1,500,000.00 was made upon execution of the said agreement and the balance of RM20,500,000.00 will be paid upon completion. A further cash payment of RM23,000,000.00 will be made upon the successful award of a licence under the Communications and Multimedia Act 1998 to TNB, its subsidiaries or FNMSB, provided always that the licence shall be obtained within three (3) years from the date of this agreement. On 12 August 2002, all conditions precedent of the share sale agreement had been fulfilled.
- (viii) A Letter of Award dated 25 February 2002 ("the Letter of Award") issued by Sabah Electricity Sdn Bhd ("SESB") to Transmission Technology Sdn Bhd and Sharikat Permodalan Kebangsaan Berhad (collectively, the "TTSB-SPK Consortium") whereby SESB has agreed to award the Survey Works and Wayleave Services for the East-West Grid Interconnection Project ("the Project") to the TTSB-SPK Consortium. Pursuant to the Letter of Award, SESB and the TTSB-SPK Consortium subsequently entered into a Survey Works & Wayleave Services Agreement which was signed on the 25 March 2002 for the TTSB-SPK Consortium to undertake, carry out, execute, complete the Survey Works and Wayleave Services in relation to the Project for a consideration sum of Ringgit Malaysia Eight Million Two Hundred and Forty Five Thousand Only (RM8,245,000.00)
- (ix) The conditional sale and purchase agreement dated 20 March 2002 ("SPA") entered into between MRCB and UBGB in relation to the Proposed Disposal. A deposit of RM50,460,690 ("Deposit") has already been paid, and the balance Consideration is payable at completion. MRCB has obtained the approval of the Minister of Finance for its proposed sale of the RHB Sale Shares to UBGB. Apart from the approval of the SC, the FIC, MRCB Shareholders, UBGB's shareholders and MRCB's lenders, the SPA is also conditional upon completion

of the sale and purchase agreement between CMS, UBGB, RHB and RHB Bank Berhad, in relation to the acquisition by RHB Bank of the entire issued and paid up share capital of Bank Utama from UBGB. All conditions precedent must be fulfilled within 6 months of the date of the SPA, which can be automatically extended by another 2 months or such other period as the parties may agree. The Deposit is refundable together with 8% p.a. interest thereon if the SPA lapses due to unfulfilled conditions precedent, other than UBGB's shareholders approval.

- (x) A Survey Works & Wayleave Services Agreement dated 25 March 2002 between Transmission Technology Sdn Bhd ("TTSB") in collaboration with Sharikat Permodalan Kebangsaan Berhad ("SPK") (jointly known herein as "the TTSB-SPK Consortium") and Sabah Electricity Sdn Bhd ("SESB") for the TTSB-SPK Consortium to undertake, carry out, execute, complete the Survey Works and Wayleave Services in relation to the "East-West Grid Interconnection Project" for a consideration sum of RM8,245,000.00.
- (xi) A Letter of Award dated 26 March 2002 from SESB to the TTSB-SPK Consortium wherein TTSB-SPK Consortium was awarded to undertake the Implementation of 275kilovolt ("kV") and 132kV Transmission Lines Project For East-West Grid Interconnection ("the Sabah East-West Project") subject to the final approval from the Federal Treasury, Ministry of Finance at a contract price of RM425,000,000. On 12 July 2002, SESB issued its Letter of Acceptance based on a contract price of RM400,000,000. Subsequently, on 4 October 2002, the TTSB-SPK Consortium entered into a Main Contract with SESB in relation to the Sabah East-West Project. The total contract price is RM400,000,000 which includes a provisional sum of RM10,000,000 for telecommunication equipment. Among the salient terms of the contract include:
  - (a) The duration of the contract is thirty-six (36) months from the date of acceptance of the Letter of Award;
  - (b) Provision of a Performance Bond by the TTSB-SPK Consortium for the sum of RM20,000,000 being 5% of the total Contract Price;
  - (c) Validity of the Performance Bond is for sixty (60) months;
  - (d) The TTSB-SPK Consortium shall maximise the usage of locally manufactured goods. Priority shall be given to manufacturers developed under the Tenaga Nasional Berhad and/or SESB Vendor Development Programme
- (xii) A conditional Sale and Purchase of Share Agreement dated 29 August 2002 between ZMSB, Sasaran Bahagia Sdn Bhd ("SBSB") and ZESB whereby ZMSB has agreed to sell to SBSB 11,983,300 ordinary shares ("the Sale Shares") of RM1.00 each representing 70% of the enlarged issued and paid up capital of ZESB ("Proposed Disposal"). The consideration for the Sale Shares shall be satisfied as follows:
  - (a) SBSB shall pay ZMSB RM1.00 upon the execution of the Sale and Purchase of Share Agreement;
  - (b) SBSB shall cause to be settled to ZESB's creditor, i.e. MRCB, a sum of RM10,500,000.00 ("the Debt Amounts") through the creation and issuance of redeemable secured term debt ("RSTD") by ZESB to MRCB

In consideration of the Sale Shares and as a continuing security for the repayment of the Debt Amounts and the due performance of SBSB, a Memorandum of Deposit dated 29 August 2002 was entered into between SBSB and MRCB whereby SBSB as beneficial owner of the Sale Shares, has charged by way of a first legal mortgage to MRCB all the rights, title and interests of SBSB in and to the Sale Shares.

- (xiii) A Joint Venture and Shareholders' Agreement dated 24 October 2002 between MRCB and Wira Kristal Sdn Bhd ("WKSb") whereby the parties herein have agreed to establish a joint venture company known as Nuzen Corporation Sdn Bhd ("NCSB") which in turn will wholly own a company known as Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("KLUT"). By a Letter of Exclusivity dated 10 May 2001, the Government of Malaysia ("the Government") has agreed to privatise the design, construction, operation and management of the Kuala Lumpur North East Expressway ("the Project") whereby KLUT has been awarded with the Project. Both MRCB and WKSb via NCSB have agreed to use KLUT as the vehicle for the joint venture between the parties to undertake the implementation of the Project in accordance with the terms and conditions of a concession agreement to be negotiated and entered into with the Government. All the issued share capital of NCSB shall be held by the parties in the following proportions:

<u>Party</u>	<u>Percentage of Shareholding</u>
WKSb	70%
MRCB	30%

**(b) RHB Group**

Save as disclosed below, there are no other contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by RHB and/or its subsidiary companies, (other than RHB Capital Group) during the two (2) years preceding 25 September 2002:

- (a) The Deed Poll dated 13 February 2001 constituting up to 55,038,988 RHB Warrant-C having an exercise price of RM1.90 and an exercise period from 4 April 2001 to 24 March 2002, which were to be issued at an issue price of RM0.10 per warrant to holders of RHB Warrants 1997/2007 ("RHB Warrants-A") on the basis of one (1) RHB Warrants-C for every one (1) RHB Warrant-A surrendered for replacement, of which 21,733,460 RHB Warrant-C were issued;
- (b) The Share Purchase Agreement dated 28 November 2001 between RHB Property Management Sdn Bhd ("RHBPM") and Sua-Jaya Trade Management Sdn Bhd for the sale of the entire issued and paid-up share capital in Putrade Property Management Sdn Bhd by RHBPM for a cash consideration of RM100,000. The sale was completed on 1 December 2001;
- (c) The Supplemental Deed Poll dated 20 March 2002 pursuant to which the exercise period of the RHB Warrant-C was extended from 24 March 2002 to 24 March 2007;
- (d) The Supplemental Deed Poll dated 20 March 2002 pursuant to which the exercise period of the RHB Warrants 1999/2002 (RHB Warrants-B) was extended from 24 March 2002 to 16 August 2009;
- (e) The Conditional Sale and Purchase Agreement dated 20 March 2002 between CMS, UBG, RHB and RHB Bank in relation to the Bank Utama Acquisition;

- (f) The First Supplemental Trust Deed dated 19 June 2002 between RHB and Citicorp Trustee Company Limited as trustee for the holders of the RHB USD200 million 1.5% per annum Exchangeable Bonds 1997/2007 ("USD Bonds 1997/2007"), pursuant to which the procedures of the Depositary Trust Company relating to meetings of bondholders were adopted;
- (g) The Second Supplemental Trust Deed dated 26 June 2002 between RHB and Citicorp Trustee Company Limited as trustee for the holders of the USD Bonds 1997/2007, in respect of the restructuring of the USD Bonds 1997/2007;
- (h) The Third Supplemental Deed dated 27 June 2002 between RHB and Mayban Trustees Berhad as trustee for the holders of the RHB RM800 million nominal value of 2.5% per annum Redeemable Secured Bonds 1997/2002 ("Bonds 1997/2002"), pursuant to which the maturity date of the Bonds 1997/2002 was extended from 25 June 2002 to 25 December 2002; and
- (i) Depository and Paying Agency Agreement dated 12 August 2002 between RHB, Mayban Trustees Berhad, BNM and RHB Sakura relating to the Bonds 1997/2002. (The Agreement was executed as a result of the extension of maturity date referred to in paragraph (h) above.)

**RHB Capital Group (excluding RHB Sakura and its subsidiary companies)**

Save as disclosed below, there are no other contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by RHB Capital Group and/or its subsidiary companies during the two (2) years preceding 25 September 2002:

- (a) The Sale of Shares Agreement dated 7 November 2000 between Carta Bintang Sdn Bhd and RHB Capital for the acquisition by RHB Capital of the entire equity interest in SJ Securities Sdn Bhd ("SJ") for a cash purchase consideration of RM328 million based on 1.64 times the guaranteed net tangible assets of SJ of RM200 million as at the last date for the calendar month preceding the date all conditions precedent stated therein have been met, as amended by the Supplemental Sale of Shares Agreement dated 30 November 2000. The Agreement has since lapsed as certain conditions and approvals were not fulfilled;
- (b) The Sale of Shares Agreement dated 8 January 2001 between RHB Capital and Encik Mohamad Abdullah for the sale of the entire issued and paid-up share capital in RHB Insurance Brokers Sdn Bhd by RHB Capital for a cash consideration of RM1.0 million. The sale was completed on 2 March 2001;
- (c) The Stock Purchase Agreement dated 17 January 2001 between RHB Asia Pte Ltd ("RHB Asia") and The Sakura Bank, Limited ("Sakura Bank") for the acquisition by RHB Asia from Sakura Bank of 1,949,994 shares in Thai Sakura Securities Co., Ltd ("Thai Sakura") and the transfer of 6 shares in Thai Sakura from 6 individual shareholders to 6 individuals to be nominated by RHB Asia, for a cash consideration equal to 100.0 million Thai Baht (which is equivalent to approximately RM10.0 million) and the adjusted net tangible assets value of Thai Sakura as at the cut-off date defined in the Agreement. The Agreement was mutually terminated by RHB Asia and Sakura Bank (which has been reconstituted as Sumitomo Mitsui Banking Corporation Limited) on 4 May 2001;
- (d) The Subscription Agreement dated 23 May 2001 between United Overseas Bank (Malaysia) Bhd and RHB Capital relating to the issuance of RM150,000,000 nominal value 6% Redeemable Unsecured Bonds 2001/2004 ("Bonds 2001/2004");

- (e) The Trust Deed dated 23 May 2001 between Malaysian Trustees Bhd and RHB Capital relating to the issuance of the Bonds 2001/2004;
- (f) The Depository and Paying Agency Agreement dated 23 May 2001 between United Overseas Bank (Malaysia) Bhd, Malaysian Trustees Bhd, BNM and RHB Capital relating to the issuance of the Bonds 2001/2004;
- (g) The Conditional Sale of Shares Agreement dated 20 March 2002 between G.K. Goh, RHB Marketing Services and RHB Capital in relation to the Proposed acquisition of Straits Asset Holdings Sdn Bhd;
- (h) The Conditional Sale of Shares Agreement dated 20 March 2002 between RHB Capital, China Development Industrial Bank Inc and RHB Delta Finance Berhad in relation to the proposed transfer and acquisition of RHB Leasing Sdn Bhd;
- (i) The Conditional Share Sale Agreement dated 20 March 2002 between RHB Capital and RHB Bank in relation to the proposed transfer of RHB Capital Properties Sdn Bhd; and
- (j) The Conditional Sale and Purchase Agreement dated 20 March 2002 between CMS, UBG, RHB and RHB Bank in relation to the Bank Utama Acquisition

#### **RHB Sakura and its subsidiary companies**

There are no contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by RHB Sakura and/or its subsidiary companies during the two (2) years preceding 25 September 2002.

*(Source: Extracted from RHB's circular to shareholders dated 25 September 2002)*

## **5. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal office hours on any business day at the Registered Office of the Company at Menara MRCB, No. 2, Jalan Majlis 14/10, Seksyen 14, 40000 Shah Alam, Selangor from the date of this Circular up to the date of the EGM:

- (i) Memorandum and Articles of Association of MRCB and RHB;
- (ii) Audited financial statements of MRCB for the past two (2) financial years ended 31 August 2001 and the unaudited quarterly results of MRCB for the nine (9) month financial period ended 31 May 2002;
- (iii) Audited financial statements of RHB for the past two (2) financial years ended 30 June 2002;
- (iv) The Reporting Accountants' letter on the proforma consolidated balance sheets of MRCB Group together with the proforma consolidated balance sheets;
- (v) Letters of consent, referred to paragraph 2 above;
- (vi) The writ of summons and/or statement of claim of MRCB Group referred to in paragraph 3 above; and
- (vii) Material contracts of MRCB Group, referred to paragraph 4 above.



**MALAYSIAN RESOURCES CORPORATION BERHAD**

(Company No.: 7994-D)

(Incorporated in Malaysia under the Companies Act, 1965)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Concorde II, Level 2, Concorde Hotel Shah Alam, No 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on 15 November 2002 at 10.00 a.m. to consider and if thought fit, to pass the following Resolution:

**ORDINARY RESOLUTION 1**

**PROPOSED DISPOSAL OF 105,127,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING 22.7% OF THE EXISTING ISSUED AND PAID-UP CAPITAL OF RASHID HUSSAIN BERHAD TO UTAMA BANKING GROUP BERHAD FOR A TOTAL CASH CONSIDERATION OF RM504,609,600**

"THAT, approval be and is hereby given for the disposal by Malaysian Resources Corporation Berhad of 105,127,000 ordinary shares of RM1.00 each, representing 22.7% of the existing issued and paid-up capital of Rashid Hussain Berhad to Utama Banking Group Berhad pursuant to the Sale and Purchase Agreement dated 20 March 2002 between Malaysian Resources Corporation Berhad and Utama Banking Group Berhad for a total cash consideration of RM504,609,600, approvals of which have been obtained from the Minister of Finance, Bank Negara Malaysia and the Securities Commission, AND THAT the Directors of Malaysian Resources Corporation Berhad be and are hereby authorised to give effect to the aforesaid disposal with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities."

By Order of the Board

**MALAYSIAN RESOURCES CORPORATION BERHAD**

**Mohd Noor Rahim Yahaya (MAICSA 0866820)**

**Yuslizal Monek (MAICSA 7003822)**

**Company Secretaries**

Kuala Lumpur

Date: 31 October 2002

***Note:***

*A member entitled to attend and to vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. The original instrument appointing a proxy, duly completed must be deposited at the Company's Share Registrar Office not less than 48 hours before the time set for the meeting or any adjournment thereof.*



MALAYSIAN RESOURCES CORPORATION BERHAD  
(Company No.: 7794-D)  
(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

I/We..... CDS Account No.....

I.C. or Company No.....

of.....

being a \*member/members of MALAYSIAN RESOURCES CORPORATION BERHAD (the Company) hereby appoint ..... I.C. No.....

(Name in Full) (New and Old I.C. Nos)

of.....

(Full Address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf, at the Extraordinary Meeting of the Company to be held at Concorde II, Level 2, Concorde Hotel Shah Alam, No 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on 15 November 2002 at 10.00 a.m. or at any adjournment thereof.

This proxy is to vote on the Ordinary Resolution set out in the Notice of the Meeting as indicated with an 'X' in the appropriate space below. If no specific direction as to the voting is given, the proxy will vote or abstain from voting at his/her discretion.

	FOR	AGAINST
ORDINARY RESOLUTION 1		

No. of Ordinary shares held

Signature of Shareholders(s)

Signed this .....day of.....2002

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney. If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.
3. All Forms of Proxy must be deposited at the Company's Share Registrar Office not less than 48 hours before the time fixed for convening the Meeting or any adjournment thereof.



*Fold this flap for sealing*

*Then fold here*

AFFIX  
STAMP

**MALAYSIAN RESOURCES CORPORATION BERHAD**  
c/o The Share Registrar  
Malaysian Share Registration Services Sdn Bhd  
7<sup>th</sup> Floor, Exchange Square,  
Bukit Kewangan,  
50200 Kuala Lumpur

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