

## Financial Statements

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# Directors' Report

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

## PRINCIPAL ACTIVITIES

The principal activities of the Company are those of property development and investment, and investment holding.

The principal activities of the subsidiary and associated companies are:

- (i) property development and investment;
- (ii) operation of hotels, theme park and related activities;
- (iii) rendering recreational club facilities;
- (iv) operation of travel, tour business and related activities;
- (v) operation of a medical centre; and
- (vi) management and letting of property.

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

## RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit after taxation	71,694	8,884
Minority interests	(46,214)	–
Net profit for the year	25,480	8,884

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 35 to the financial statements and the effects arising from a prior year adjustment resulting in a decrease in the Group's net profit for the year by RM4,025,000 (2002: RM3,048,000) as disclosed in Note 37 to the financial statements.

## DIVIDENDS

On 24 February 2003, the following dividends were paid for the 6.6% cumulative convertible preference shares in respect of the period from September 2002 to February 2003:

- (a) an amount of RM2,376,000 which was accrued in the previous financial year; and
- (b) an amount of RM1,188,000 which was accrued in the current financial year.

On 30 April 2003, the Company paid an interim dividend of 1.5% less 28% taxation on 400,199,000 ordinary shares in issue amounting to RM4,322,000 (1.08 sen net per ordinary share) in respect of the financial year ended 31 December 2002 as disclosed in the Directors' Report of that year.

At the forthcoming Annual General Meeting, a final dividend of 1.0% less 28% taxation on ordinary shares in issue on the date of entitlement in respect of the financial year ended 31 December 2003 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profit in the financial year ending 31 December 2004.

# Directors' Report *(cont'd)*

## SHARE CAPITAL

During the financial year, the issued and paid up share capital of the Company was increased from RM340,199,000 to RM400,252,000 by way of the issuance of the following shares:

- (a) 53,000 new ordinary shares of RM1.00 each issued to eligible employees of the Group under the Employees' Share Option Scheme at RM1.00 per share for cash; and
- (b) 60,000,000 new ordinary shares of RM1.00 each arising from the conversion of 108,000,000 6.6% Cumulative Convertible Preference Shares of RM1.00 each.

## EMPLOYEES' SHARE OPTION SCHEME

On 22 September 2003, the Company implemented a new Employees' Share Option Scheme ("the Scheme") for the eligible employees (including Executive Directors) of the Company and its subsidiary companies. The new Scheme replaces the previous Scheme due to expire on 22 December 2004 but was terminated upon approval by the shareholders at an Extraordinary General Meeting held on 26 August 2003. The new ESOS is governed by the bye-laws which were approved by the shareholders on 26 August 2003.

The main features of the new Scheme are:

- (a) The total number of new shares to be offered shall not exceed 10% of the issued and paid-up share capital of the Company (or such other higher percentage as may be permitted by the relevant regulatory authorities, from time to time) at the time of the offer of options under the Scheme.
- (b) Only eligible Executive Directors and employees of the Company and of the Group will be eligible to participate in the Scheme.
- (c) The price payable upon exercise of an option granted under the Scheme will be based on the five-day weighted average market price of the Company's shares at the time the offer is granted with a discount of not more than 10% if deemed appropriate or the par value of the Company's shares, whichever is higher.
- (d) The duration of the Scheme is ten (10) years from the date of its commencement.
- (e) The number of options to be offered to an eligible employee in accordance with the Scheme shall be determined based on seniority, performance and length of service and the offer shall be valid for acceptance by an employee for a period of thirty days from the date of offer.
- (g) The options granted may be exercised in the following manner:

Number of options granted	Maximum Percentage of Total Options Exercisable		
	Year 1	Year 2	Year 3
Below 20,000	100%	–	–
20,000 and above	40%*	30%	30%#

\* 40% or 20,000 options, whichever is higher

# 30% or the remaining number of options unexercised

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years provided that no options shall be exercised beyond the date of expiry of the Scheme.

## Directors' Report *(cont'd)*

### EMPLOYEES' SHARE OPTION SCHEME (CONTD.)

The movement in the options to take up unissued new ordinary shares of RM1.00 each during the financial year was as follows:

	<b>Number of ordinary shares under option</b>
At 1 January 2003	27,771,000
Forfeiture on resignations during the financial year	–
	<hr/>
Exercised during the financial year	27,771,000 (53,000)
	<hr/>
At 31 December 2003	27,718,000
	<hr/>

At the end of the financial year, the unissued shares under option were as follows:

	<b>Number of ordinary shares of RM1.00 each</b>	<b>Option price RM</b>
First offer	27,718,000	1.00

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the options held by the Executive Directors and the list of option holders and their holdings except for those holders (excluding Executive Directors) who have options of 500,000 ordinary shares and above, which are as follows:

	<b>Options over Ordinary Shares of RM1.00 each</b>			
	<b>At 1.1.2003</b>	<b>Granted During the year</b>	<b>Terminated</b>	<b>At 31.12.2003</b>
Yuen Kam Wah	–	750,000#	–	750,000#
Puan Sri Datin Seri (Dr) Cheah Seok Cheng	–	700,000#	–	700,000#
Wang Yeong Khang	300,000*	600,000#	(300,000)*	600,000#
Ong Ghee Bin	300,000*	500,000#	(300,000)*	500,000#
Ho Hon Sang	250,000*	500,000#	(250,000)*	500,000#

\* Options pursuant to the Sunway City Berhad Employees' Share Option Scheme 1999/2004 which was terminated on 26 August 2003.

# Options pursuant to the new Employees' Share Option Scheme 2003/2013 which was implemented on 22 September 2003.

# Directors' Report *(cont'd)*

## DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Seri (Dr.) Cheah Fook Ling  
Datuk Razman M Hashim  
Tan Sri Dato' IR. Talha Bin Haji Mohd Hashim  
Dato' Wong Choon Kee  
Ngian Siew Siong  
Ngeow Voon Yean  
Low Siew Moi  
Teo Tong How  
Tan Siak Tee  
Lim Swe Guan

In accordance with Article 78 of the Company's Articles of Association, Tan Sri Dato' Seri (Dr.) Cheah Fook Ling, Ngeow Voon Yean and Teo Tong How retire by rotation from the Board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

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

	Ordinary Shares of RM1.00 each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
Tan Sri Dato' Seri (Dr.) Cheah Fook Ling	* 145,283,017 10,823,251	14,720,000 –	– –	160,003,017 10,823,251
Tan Sri Dato' IR. Talha Bin Haji Mohd Hashim	10,000	–	–	10,000
Datuk Razman M Hashim	30,000	–	–	30,000
Dato' Wong Choon Kee	31,000	–	–	31,000
Ngian Siew Siong	10,000	–	–	10,000

\* Denotes deemed interest

## Directors' Report *(cont'd)*

### DIRECTORS' INTERESTS (CONTD.)

	Options over Ordinary Shares of RM1.00 each			
	At 1.1.2003	Granted During the year	Terminated	At 31.12.2003
Datuk Razman M Hashim	400,000*	700,000#	(400,000)*	700,000
Dato' Wong Choon Kee	–	700,000#	–	700,000
Ngian Siew Siong	350,000*	700,000#	(350,000)*	700,000
Ngeow Voon Yean	300,000*	700,000#	(300,000)*	700,000

\* Options pursuant to the Sunway City Berhad Employees' Share Option Scheme 1999/2004 which was terminated on 26 August 2003.

# Options pursuant to the new Employees' Share Option Scheme 2003/2013 which was implemented on 22 September 2003.

By virtue of his interest in shares in the Company, Tan Sri Dato' Seri (Dr.) Cheah Fook Ling is also deemed to have an interest in the shares of all other subsidiary companies of the Company to the extent that the Company has an interest.

### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year did there subsist any arrangement to which the Company was a party, whereby Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the ESOS.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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 except for Tan Sri Dato' Seri (Dr.) Cheah Fook Ling and Datuk Razman M Hashim who may be deemed to derive a benefit by virtue of those transactions, products, parts and other properties or any interest in any properties; and/or for the provision of services including but not limited to management and consultancy services, and/or provision of construction contracts, leases and tenancy; and/or the provision of treasury functions, advances and conduct of normal trading and/or other businesses and construction contracts respectively between the Company and its related corporations and corporations in which Tan Sri Dato' Seri (Dr.) Cheah Fook Ling and Datuk Razman M Hashim are deemed to have an interest.

# Directors' Report *(cont'd)*

## OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## Directors' Report *(cont'd)*

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

Significant events during the financial year are disclosed in Note 46 to the financial statements.

### **SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE**

Significant event subsequent to the balance sheet date is disclosed in Note 47 to the financial statements.

### **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors



**Tan Sri Dato' Seri (Dr.) Cheah Fook Ling**



**Dato' Wong Choon Kee**

Petaling Jaya, Selangor Darul Ehsan  
20 April 2004

# Statement By Directors


*Pursuant To Section 169(15) Of The Companies Act, 1965*

We, Tan Sri Dato' Seri (Dr.) Cheah Fook Ling and Dato' Wong Choon Kee, being two of the Directors of Sunway City Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 47 to 119 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors



**Tan Sri Dato' Seri (Dr.) Cheah Fook Ling**



**Dato' Wong Choon Kee**

Petaling Jaya, Selangor Darul Ehsan  
20 April 2004

# Statutory Declaration

*Pursuant To Section 169(16) Of The Companies Act, 1965*

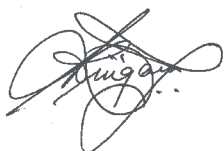
I, Wang Yeong Khang, being the officer primarily responsible for the financial management of Sunway City Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 47 to 119 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Wang Yeong Khang  
at Petaling Jaya in the State of Selangor  
Darul Ehsan on 20 April 2004



**Wang Yeong Khang**

Before me,



**DAVID LINGAM A/L S. SOCKALINGAM**  
Commissioner for Oaths

# Report Of The Auditors

## To The Members Of Sunway City Berhad *(Incorporated in Malaysia)*

We have audited the accompanying financial statements set out on pages 47 to 119. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors as indicated in Note 45 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company 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 subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.



**Ernst & Young**  
AF: 0039  
Chartered Accountants



**Yap Seng Chong**  
No. 2190/12/05 (J)  
Partner

Kuala Lumpur, Malaysia  
20 April 2004

# Balance Sheets

As At 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000 (Restated)	2003 RM'000	2002 RM'000
<b>NON-CURRENTASSETS</b>					
Property, plant and equipment	4	484,187	398,580	25,753	28,298
Investment properties	5	318,584	309,517	20,240	20,240
Land held for development	6	338,639	354,410	4,581	4,581
Investments in subsidiary companies	7	–	–	363,948	319,679
Amounts due from subsidiary companies	8	–	–	861,936	755,287
Investments in associated companies	9	1,597	35,460	–	16,405
Investment in jointly controlled entity	10	10,836	–	10,872	–
Other non-current investments	11	466,203	392,840	–	–
Goodwill on consolidation	12	15,042	23,914	–	–
Deferred tax assets	31	4,833	12,349	–	–
		<b>1,639,921</b>	1,527,070	<b>1,287,330</b>	1,144,490
<b>CURRENTASSETS</b>					
Properties under development	13	309,399	250,497	36,039	33,302
Inventories	14	29,393	20,690	3,282	3,282
Trade receivables	15	106,867	61,801	8,513	10,116
Other receivables	16	48,445	22,977	5,959	6,912
Amounts due from associated companies	17	87	9,745	–	9,759
Taxation recoverable		3,411	4,813	608	636
Deposits with licensed banks		11,904	73,393	–	–
Cash and bank balances	18	128,297	112,858	23,615	13,187
		<b>637,803</b>	556,774	<b>78,016</b>	77,194
<b>CURRENT LIABILITIES</b>					
Trade payables	19	131,469	88,887	17,841	29,056
Other payables	20	278,730	269,639	62,628	37,572
Bank borrowings	21	57,093	47,447	21,857	21,254
Hire purchase and lease creditors	22	5,141	5,484	23	899
Dividend payable		–	2,529	–	2,529
Taxation		7,594	6,304	1,931	2,659
		<b>480,027</b>	420,290	<b>104,280</b>	93,969
<b>NET CURRENTASSETS/(LIABILITIES)</b>		<b>157,776</b>	136,484	<b>(26,264)</b>	(16,775)
		<b>1,797,697</b>	1,663,554	<b>1,261,066</b>	1,127,715

The accompanying notes form an integral part of these financial statements.

# Balance Sheets

As At 31 December 2003 (cont'd)

	Note	Group		Company	
		2003 RM'000	2002 RM'000 (Restated)	2003 RM'000	2002 RM'000
<b>FINANCED BY:</b>					
Share capital	23	<b>400,252</b>	448,199	<b>400,252</b>	448,199
Share premium	24	<b>158,363</b>	110,363	<b>158,363</b>	110,363
Reserves	25	<b>204,243</b>	176,447	<b>208,077</b>	204,550
Shareholders' funds		<b>762,858</b>	735,009	<b>766,692</b>	763,112
Minority interests	26	<b>289,390</b>	253,213	–	–
Long term bank borrowings	27	<b>460,502</b>	338,436	<b>359,670</b>	282,267
Long term liabilities	28	<b>218,647</b>	283,647	–	29,000
Advances by minority shareholders of subsidiary companies	29	<b>62,554</b>	47,100	–	–
Amounts due to subsidiary companies	30	–	–	<b>134,704</b>	53,330
Hire purchase and lease creditors	22	<b>3,712</b>	6,144	–	6
Deferred tax liabilities	31	<b>34</b>	5	–	–
		<b>1,797,697</b>	1,663,554	<b>1,261,066</b>	1,127,715

The accompanying notes form an integral part of these financial statements.

# Income Statements

For The Year Ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000 (Restated)	2003 RM'000	2002 RM'000
Revenue	32	<b>728,640</b>	659,428	<b>96,239</b>	103,999
Cost of sales		<b>(352,119)</b>	(275,020)	<b>(60,067)</b>	(26,752)
Gross profit		<b>376,521</b>	384,408	<b>36,172</b>	77,247
Other operating income		<b>24,528</b>	24,717	<b>29,638</b>	20,934
Distribution costs		<b>(20,938)</b>	(25,182)	<b>(888)</b>	(1,175)
Administration expenses		<b>(87,199)</b>	(99,670)	<b>(9,902)</b>	(8,299)
Other operating expenses		<b>(191,780)</b>	(141,894)	<b>(13,689)</b>	(12,917)
Profit from operations	33	<b>101,132</b>	142,379	<b>41,331</b>	75,790
Finance costs	34	<b>(37,055)</b>	(52,391)	<b>(25,984)</b>	(18,947)
Share of results of associated companies	9	<b>(321)</b>	22,544	–	–
Share of results of jointly controlled entity	10	<b>(36)</b>	–	–	–
Results arising from other investing activities	35	<b>43,414</b>	44,012	<b>(2,499)</b>	(17,798)
Profit from ordinary activities before taxation		<b>107,134</b>	156,544	<b>12,848</b>	39,045
Taxation	36	<b>(35,440)</b>	(27,244)	<b>(3,964)</b>	(11,540)
Profit after taxation		<b>71,694</b>	129,300	<b>8,884</b>	27,505
Minority interests		<b>(46,214)</b>	(10,860)	–	–
Profit attributable to members of the Company		<b>25,480</b>	118,440	<b>8,884</b>	27,505
<b>EARNINGS PER SHARE (SEN)</b>					
Basic	39	<b>6.25</b>	–		
- as restated		–	32.72		
- as previously reported		–	33.62		
Diluted	39	<b>5.83</b>	–		
- as restated		–	29.60		
- as previously reported		–	30.36		

The accompanying notes form an integral part of these financial statements.

# Statements Of Changes In Equity

For The Year Ended 31 December 2003

GROUP	Note	Share capital RM'000	Share premium RM'000	Non-distributable		Distributable		Total RM'000
				Capital reserve RM'000	Exchange reserve RM'000	Retained profits RM'000		
		448,199	110,363	20,316	6,699	17,644	603,221	
	37	-	-	-	-	18,993	18,993	
<b>At 1 January 2002</b>		448,199	110,363	20,316	6,699	36,637	622,214	
Prior year adjustment		-	-	-	-	-	-	
<b>At 1 January 2002 (restated)</b>		-	-	-	1,483	-	1,483	
Currency translation differences		-	-	112	-	(112)	-	
Transfer to/(from) reserves		-	-	-	-	-	-	
Net gains and losses not recognised in the income statement		-	-	112	1,483	(112)	1,483	
Profit for the year		-	-	-	-	118,440	118,440	
Dividends paid and accrued	38	-	-	-	-	(7,128)	(7,128)	
<b>At 31 December 2002</b>		448,199	110,363	20,428	8,182	147,837	735,009	
		448,199	110,363	20,428	8,182	131,892	719,064	
Prior year adjustment	37	-	-	-	-	15,945	15,945	
<b>At 1 January 2003 (restated)</b>		448,199	110,363	20,428	8,182	147,837	735,009	
Currency translation differences		-	-	-	7,673	-	7,673	
Transfer to/(from) reserves		-	-	1,166	-	(1,166)	-	
Net gains and losses not recognised in the income statement		-	-	1,166	7,673	(1,166)	7,673	
Issuance of ordinary share capital		53	-	-	-	-	53	
Conversion of preference share capital to ordinary share capital		(48,000)	48,000	-	-	-	-	
Profit for the year		-	-	-	-	25,480	25,480	
Dividends paid and accrued	38	-	-	-	-	(5,357)	(5,357)	
<b>At 31 December 2003</b>		400,252	158,363	21,594	15,855	166,794	762,858	

The accompanying notes form an integral part of these financial statements.

# Statements Of Changes In Equity

For The Year Ended 31 December 2003 (cont'd)

## COMPANY

	Note	Share capital RM'000	Share premium RM'000	<u>Distributable</u> Retained profit RM'000	Total RM'000
<b>At 1 January 2002</b>		448,199	110,363	184,173	742,735
Profit for the year		–	–	27,505	27,505
Dividends paid and accrued	38	–	–	(7,128)	(7,128)
<b>At 31 December 2002</b>		448,199	110,363	204,550	763,112
Issue of ordinary share capital		53	–	–	53
Conversion of preference share capital to ordinary share capital		(48,000)	48,000	–	–
Profit for the year		–	–	8,884	8,884
Dividends paid and accrued	38	–	–	(5,357)	(5,357)
<b>At 31 December 2003</b>		400,252	158,363	208,077	766,692

The accompanying notes form an integral part of these financial statements.

# Cash Flow Statements

For The Year Ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		<b>684,970</b>	670,129	<b>78,005</b>	57,567
Payment to suppliers and contractors		<b>(340,344)</b>	(342,463)	<b>(14,942)</b>	(30,530)
Payment of operating expenses		<b>(307,049)</b>	(220,298)	<b>(73,617)</b>	(23,449)
Interest received from subsidiary companies		–	–	<b>24,964</b>	20,184
Interest received		<b>5,226</b>	4,097	<b>959</b>	669
Dividends received from subsidiary companies		–	–	<b>9,438</b>	33,561
Cash generated from operations		<b>42,803</b>	111,465	<b>24,807</b>	58,002
Taxation paid		<b>(25,405)</b>	(33,126)	<b>(561)</b>	(383)
Net cash generated from operating activities		<b>17,398</b>	78,339	<b>24,246</b>	57,619
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of property, plant and equipment		<b>540</b>	191,705	<b>343</b>	178
Proceeds from disposal of investment properties		–	74,000	–	–
Proceeds from disposal of preference shares in a subsidiary company		–	108,286	–	120,343
Proceeds on disposal of an associated company		<b>2</b>	–	<b>2</b>	–
Acquisition of property, plant and equipment	(a)	<b>(59,277)</b>	(44,195)	<b>(486)</b>	(680)
Addition in investment properties		<b>(112)</b>	(105)	–	–
Acquisition of remaining interest in an associated company, thereby making it a subsidiary company	(b)	<b>(18,127)</b>	–	<b>(20,000)</b>	–
Acquisition of additional interest in subsidiary companies		–	(15,000)	–	(15,303)
Investment in subsidiary company		–	–	<b>(250)</b>	–
Investment in joint venture entity		<b>(10,872)</b>	–	<b>(10,872)</b>	–
Advances from/(repayment to) subsidiary companies		–	–	<b>81,374</b>	(260,998)
(Advances to)/repayment from subsidiary companies		–	–	<b>(92,207)</b>	20,297
(Advances to)/repayment from associated companies		<b>(189)</b>	1,939	–	1,863
Net cash (used in)/generated from investing activities		<b>(88,035)</b>	316,630	<b>(42,096)</b>	(134,300)

The accompanying notes form an integral part of these financial statements.

# Cash Flow Statements

For The Year Ended 31 December 2003 (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Note				
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of term loans	69,180	57,010	–	49,600
Repayment of term loans	(46,837)	(348,454)	(27,743)	–
Repayment of revolving credits	(37,500)	(16,500)	(37,500)	(16,500)
Issuance of commercial papers and medium term notes	140,121	79,367	140,121	79,367
Drawdown/(repayment) of trade bills	479	(31,251)	–	–
Repayments to hire purchase and lease creditors	(5,227)	(4,610)	(990)	(1,160)
Interest paid	(27,459)	(37,986)	(23,124)	(15,560)
Repayment to minority shareholders of subsidiary companies	(583)	(850)	–	–
Repayment to long term creditors	(34,706)	–	(13,999)	–
Redemption of preference shares held by minority shareholders of a subsidiary company	(32,452)	(1,500)	–	–
Issuance of shares to minority shareholders of a subsidiary company	2,856	3,667	–	–
Issuance of shares under the Employees' Share Option Scheme	53	–	53	–
Dividends paid				
- preference shareholders	(3,564)	(7,128)	(3,564)	(7,128)
- ordinary shares	(4,322)	–	(4,322)	–
- minority shareholders of subsidiary companies	–	(26,895)	–	–
Net cash generated from/(used in) financing activities	20,039	(335,130)	28,932	88,619
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(50,598)</b>	<b>59,839</b>	<b>11,082</b>	<b>11,938</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>3,802</b>	<b>687</b>	<b>–</b>	<b>–</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>180,091</b>	<b>119,565</b>	<b>12,533</b>	<b>595</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>(c) 133,295</b>	<b>180,091</b>	<b>23,615</b>	<b>12,533</b>

The accompanying notes form an integral part of these financial statements.

# Cash Flow Statements

For The Year Ended 31 December 2003 (cont'd)

(a) Additions of property, plant and equipment during the year were acquired by way of:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash	59,277	44,195	486	680
Hire purchase and lease arrangements	2,355	1,799	108	–
	<b>61,632</b>	<b>45,994</b>	<b>594</b>	<b>680</b>

(b) The effects of the acquisition of remaining equity interest in an associated company, Menara Sunway Sdn. Bhd. and its subsidiary company, MSW Parking Sdn. Bhd. (collectively "MSSB Group") during the year, thereby making them subsidiary companies are as follows:

	RM'000
Net assets acquired:	
Property, plant and equipment	1,292
Other non-current investments	73,363
Inventories	25
Trade receivables	2,924
Other receivables	10,198
Cash and bank balances	1,873
Trade payables	(396)
Other payables	(20,209)
Hire purchase and lease creditors	(97)
Deferred income tax	(204)
Fair value of total net assets	68,769
Less: Share of net assets previously equity accounted for	(33,599)
Fair value of net assets acquired	35,170
Less: Reserve on consolidation	(7,331)
Total consideration	27,839
Satisfied by:	
Cash	20,000
Deferred payment	7,839
	27,839
Net cash outflow arising from acquisition:	
Cash consideration	20,000
Cash and cash equivalents acquired	(1,873)
	18,127

The accompanying notes form an integral part of these financial statements.

# Cash Flow Statements

*For The Year Ended 31 December 2003 (cont'd)*

(c) Cash and cash equivalents comprise the following balance sheet amounts:

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	<b>128,297</b>	112,858	<b>23,615</b>	13,187
Deposits with licensed banks	<b>11,904</b>	73,393	–	–
Bank overdrafts	<b>(6,906)</b>	(6,160)	–	(654)
	<b>133,295</b>	180,091	<b>23,615</b>	12,533

The accompanying notes form an integral part of these financial statements.

# Notes To The Financial Statements

- 31 December 2003

## 1. CORPORATE INFORMATION

The principal activities of the Company are those of property development and investment, and investment holding.

The principal activities of the subsidiary and associated companies are:

- (i) property development and investment;
- (ii) operation of hotels, theme park and related activities;
- (iii) rendering recreational club facilities;
- (iv) operation of travel, tour business and related activities;
- (v) operation of a medical centre; and
- (vi) management and letting of property.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business is located at Level 3, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

The financial statements are expressed in Ringgit Malaysia.

The numbers of employees as at 31 December 2003 in the Group and in the Company were 3,222 (2002: 3,035) and 172 (2002: 163) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 April 2004.

## 2. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention modified to include the valuation of certain assets as indicated in Note 3(i) and Note 14 to the financial statements. The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Consolidation

#### (i) Subsidiary Companies

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefit therefrom.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (a) Basis of Consolidation (Contd.)

#### (i) Subsidiary Companies (Contd.)

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at the fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

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

The financial statements of subsidiary companies are prepared for the same reporting period as the Company. In the preparation of the consolidated financial statements, the financial statements of the subsidiary companies are adjusted for the effects of any material dissimilar accounting policies.

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

#### (ii) Associated Companies

An associated company is an investee company that is not a subsidiary company and in which the Group has a long term equity interest of between 20% to 50% and where the Group is in a position to exercise significant influence over the financial and operating policies of the investee through Board representation.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the latest audited or management financial statements of the associated companies. Under the equity method of accounting, the Group's share of profits less losses of associated companies during the year is included in the consolidated income statement. The Group's interest in associated companies is carried in the consolidated balance sheet at cost less impairment losses plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless costs cannot be recovered.

The Group's share of results and reserves of associated companies acquired or disposed of is included in the consolidated financial statements from the effective date of acquisition and up to the effective date of disposal.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (a) Basis of Consolidation (Contd.)

#### (iii) Jointly Controlled Entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investments in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the latest audited or management financial statements of the jointly controlled entities. Under the equity method of accounting, the Group's share of profits less losses of jointly controlled entities during the year is included in the consolidated income statement. The Group's interest in jointly controlled entities is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the assets transferred.

### (b) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiary or associated companies or jointly controlled entities at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r). Goodwill arising on the acquisition of subsidiary companies is presented separately in the balance sheet while goodwill arising on the acquisition of associated companies and jointly controlled entities is included within the carrying amount of investments in associated companies and investments in jointly controlled entities respectively.

Goodwill is amortised on a straight-line basis over its estimated useful life of twenty (20) years.

### (c) Investments in Subsidiary Companies, Associated Companies and Jointly Controlled Entities

Investments in subsidiary companies, associated companies and jointly controlled entities are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r).

Freehold land, capital work-in-progress and property under construction are not depreciated. Leasehold land and buildings are depreciated over the period of the respective leases which range from 66 years to 99 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

	%
Buildings	2
Renovations	10
Plant and machinery	5 - 20
Motor vehicles	10 - 20
Equipment, furniture and fittings	5 - 20

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

### (e) Investment Properties

The Group regards investment properties as land and buildings that are not substantially occupied for use by, or in the operations of, the Group and are held for their investment potential and rental income.

Investment properties are treated as long term investments and are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r).

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

### (f) Hotel Properties

Hotel properties, comprising hotel building and integral plant and machinery, are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r). It is the Group's practice to maintain these properties at a high standard and condition such that the residual values are at least equal to book values and consequently, depreciation would be insignificant. Accordingly, no depreciation is provided on hotel properties with unexpired lease tenure of 50 years or more. The related maintenance expenditure is dealt with in the income statement.

Upon the disposal of an item of hotel properties, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (g) Land Held for Development

Land held for development consists of land held for future development and where no significant development has been undertaken.

Land held for development is stated at cost which includes land cost, incidental costs of acquisition, development expenditure and interest costs to put the land in a condition ready for development less provision for impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r).

Such assets are transferred to properties under development when significant development work has been undertaken and are expected to be completed within the normal operating cycle.

### (h) Properties under Development

Land and development expenditure whereby significant development work has been undertaken and is expected to be completed within the normal operating cycle is classified as properties under development.

Properties under development are stated at cost less provision for impairment losses, and where appropriate, include attributable profit less progress payments received and receivable. Cost includes land cost, development expenditure and interest costs relating to the development and an allocation of common project expenses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r).

### (i) Inventories

Property stocks are stated at the lower of cost and net realisable value. Cost includes the relevant cost of land, development expenditure and related interest costs incurred during the development period.

Trading inventories, food and beverage and consumables are stated at lower of cost and net realisable value after adequate provision for damaged, obsolete and slow moving items. Cost is determined on the weighted average method.

### (j) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents represent cash on hand, demand deposits and other short term, highly liquid investments that are readily convertible to cash with insignificant risk of changes in value, against which bank overdraft balances, are deducted.

### (k) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

#### (i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (k) Leases (Contd.)

#### (i) Finance Leases (Contd.)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 3(d).

#### (ii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

### (l) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### (m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (n) Employee Benefits

#### (i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

#### (ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

#### (iii) Equity Compensation Plans

The Sunway City Berhad Employees' Share Option Scheme allows the Group's employees to acquire the shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

### (o) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

#### (i) Properties under Development

Revenue from sale of properties under development is recognised based on the percentage of completion method, where outcome of the development projects can be reliably estimated. The percentage of completion is determined by reference to the costs incurred to date to the estimated costs where the outcome of the projects can be reliably estimated. Any foreseeable loss on a development project is provided for in full.

Revenue from sale of property stocks is recognised when significant risks and rewards have been passed to the purchasers.

#### (ii) Rental Income

Rental income including those from investment properties, is recognised on the accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

#### (iii) Investment Income

Dividend income is recognised when the right to receive the dividend payment is established.

Interest income from short term deposits and advances is recognised on the accrual basis, unless when recoverability is in doubt, in which case, it is recognised on receipt basis.

Interest income on other non-current investments is recognised on receipt basis due to the uncertainty of the amount that may be recovered.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (o) Revenue Recognition (Contd.)

#### (iv) Sale of Goods, Services and Rights of Enjoyment

Revenue from sale of goods is recognised based on invoiced value of goods sold and revenue from sale of services is recognised when services are performed.

Entrance fees collected for rights of enjoyment of facilities are recognised when tickets are sold.

#### (v) Club Subscription Fees

Club subscription fees are recognised on the accrual basis.

### (p) Foreign Currencies

#### (i) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of transaction.

All exchange rate differences are taken to the income statement.

#### (ii) Foreign Entities

Financial statements of foreign consolidated subsidiary companies are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the transaction dates with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in the shareholders' equity.

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date are as follows:

	2003 RM	2002 RM
United States Dollar	3.825	3.825
Australian Dollar	2.861	2.153
Hong Kong Dollar	0.490	0.500
Singapore Dollar	2.234	2.191

### (q) Preliminary and Pre-Operating Expenses

Preliminary and pre-operating expenses are charged to the income statement in the year in which they are incurred.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (r) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, deferred tax assets and financial assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

### (s) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

### (i) Other Non-Current Investments

Non-current investments other than investments in subsidiary companies, associated companies, jointly controlled entities and investment properties are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

### (ii) Trade Receivables

Trade receivables are recognised and carried at original invoiced amount less an allowance for any irrecoverable amount. An estimation for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### (iii) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services rendered.

### (iv) Interest-Bearing Borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment, investment properties, land held for development and properties under development are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (s) Financial Instruments (Contd.)

#### (iv) Interest-Bearing Borrowings (Contd.)

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

Commercial papers and medium term notes are stated at cost adjusted for amortisation of discount or coupon to maturity date. Amortisation of discount or coupon is included as interest expense.

#### (v) Share Capital

Ordinary shares are classified as equity instruments. Preference share capital is classified as an equity instrument if it is non-redeemable and dividends are at the option of the issuer.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

Dividends on equity instruments are recognised in equity in the period in which they are declared.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders. The corresponding dividends on those shares are charged as interest expense in the income statement.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

### GROUP

	Hotel properties RM'000	Freehold land RM'000	Long term leasehold land and buildings RM'000	Renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Equipment, furniture and fittings RM'000	Capital work-in progress RM'000	Total 2003 RM'000	Total 2002 RM'000
<b>NET BOOK VALUE</b>										
At 1 January	28,078	3,963	131,953	255	140,864	1,695	36,843	54,929	398,580	932,703
Exchange adjustments	-	1,304	11,050	-	13,500	97	-	15	25,966	7,271
Additions	-	-	1,306	2	3,014	674	8,747	47,889	61,632	45,994
Disposals/write-offs	-	-	(418)	-	(207)	(176)	(36)	-	(837)	(464,509)
Write back/(Provision for) impairment losses	-	-	13,463	-	25,032	-	-	-	38,495	(73,192)
Depreciation	-	-	(3,239)	(84)	(15,611)	(613)	(11,741)	-	(31,288)	(49,664)
Acquisition of remaining equity interest in an associated company, making it a subsidiary company	-	-	-	-	218	12	1,062	-	1,292	-
Reclassifications/adjustments/transfers	(76)	-	(166)	430	4,665	(422)	795	(14,879)	(9,653)	(23)
At 31 December	28,002	5,267	153,949	603	171,475	1,267	35,670	87,954	484,187	398,580
<b>2003</b>										
Cost	28,002	5,267	186,458	897	297,970	6,825	108,571	87,954	721,944	-
Accumulated impairment losses	-	-	(13,426)	-	(21,271)	-	-	-	(34,697)	-
Accumulated depreciation	-	-	(19,083)	(294)	(105,224)	(5,558)	(72,901)	-	(203,060)	-
Net book value	28,002	5,267	153,949	603	171,475	1,267	35,670	87,954	484,187	-
<b>2002</b>										
Cost	28,078	3,963	174,155	465	264,389	7,054	95,399	54,929	-	628,432
Accumulated impairment losses	-	-	(27,591)	-	(45,601)	-	-	-	-	(73,192)
Accumulated depreciation	-	-	(14,611)	(210)	(77,924)	(5,359)	(58,556)	-	-	(156,660)
Net book value	28,078	3,963	131,953	255	140,864	1,695	36,843	54,929	-	398,580

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

### COMPANY

	Long term leasehold land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Equipment, furniture and fittings RM'000	Total	
					2003 RM'000	2002 RM'000
<b>NET BOOK VALUE</b>						
At 1 January	2,051	24,000	547	1,700	28,298	48,589
Additions	-	86	106	402	594	680
Disposals/write-offs	-	(7)	(176)	(18)	(201)	(169)
Impairment losses	-	-	-	-	-	(17,807)
Depreciation	(55)	(2,437)	(169)	(435)	(3,096)	(2,995)
Reclassification	-	77	-	(77)	-	-
Transfer from development expenditure	-	158	-	-	158	-
At 31 December	1,996	21,877	308	1,572	25,753	28,298
<b>2003</b>						
Cost	2,799	52,331	2,143	5,064	62,337	-
Accumulated impairment losses	-	(17,807)	-	-	(17,807)	-
Accumulated depreciation	(803)	(12,647)	(1,835)	(3,492)	(18,777)	-
Net book value	1,996	21,877	308	1,572	25,753	-
<b>2002</b>						
Cost	2,799	52,357	2,620	7,018	-	64,794
Accumulated impairment losses	-	(17,807)	-	-	-	(17,807)
Accumulated depreciation	(748)	(10,550)	(2,073)	(5,318)	-	(18,689)
Net book value	2,051	24,000	547	1,700	-	28,298

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Included in capital work-in-progress of the Group is interest capitalised during the year of RM2,851,000 (2002: RM1,280,000).

The net book values of property, plant and equipment of the Group pledged to financial institutions for bank borrowings granted to the Group are as follows:

	Group	
	2003 RM'000	2002 RM'000
Freehold land	5,267	3,963
Long term leasehold land and buildings	93,154	69,823
Plant and machinery	52,421	17,606
Motor vehicles	242	550
Equipment, furniture and fittings	12,612	15,085
Capital work in progress	63,462	46
	<b>227,158</b>	<b>107,073</b>

Net book values of property, plant and equipment of the Group and of the Company acquired under hire purchase and lease arrangements are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Motor vehicles	481	628	96	421
Equipment, furniture and fittings	8,254	10,075	12	229
	<b>8,735</b>	10,703	<b>108</b>	650

## 5. INVESTMENT PROPERTIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost:				
Long term leasehold land and buildings	<b>318,584</b>	309,517	<b>20,240</b>	20,240

The Directors are of the view that the fair values of the properties held at the balance sheet date are not significantly different from the carrying amounts shown in the financial statements.

Investment properties of the Group and of the Company of RM14,960,000 (2002: RM14,960,000) are pledged to banks as collaterals for revolving credit facilities granted to the Company.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 6. LAND HELD FOR DEVELOPMENT

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost:				
Freehold land	<b>140,388</b>	125,296	-	-
Long term leasehold land	<b>127,899</b>	148,894	<b>2,671</b>	2,671
Development expenditure	<b>74,241</b>	81,379	<b>1,910</b>	1,910
	<b>342,528</b>	355,569	<b>4,581</b>	4,581
Less: Write down in value of land and development expenditure	<b>(3,889)</b>	(1,159)	-	-
	<b>338,639</b>	354,410	<b>4,581</b>	4,581

Freehold land and related development expenditure of certain subsidiary companies costing RM24,471,000 (2002: RM18,227,000) are pledged for revolving credit and trade bill facilities granted to the Company and a subsidiary company respectively.

Long term leasehold land and related development expenditure of certain subsidiary companies costing RM25,445,000 (2002: RM25,129,000) are pledged to banks for revolving credit facilities granted to the Company.

Included in development expenditure of the Group is interest capitalised during the financial year of RM3,137,800 (2002: RM1,036,460).

## 7. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2003 RM'000	2002 RM'000
Unquoted shares at cost	<b>371,303</b>	326,819
Less: Accumulated impairment losses	<b>(7,355)</b>	(7,140)
	<b>363,948</b>	319,679

Details of the subsidiary companies are set out in Note 45 to the financial statements.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)

During the financial year, the Company acquired the remaining equity interest which it did not own previously in MSSB Group, thereby making them subsidiary companies of the Company. The effects of the acquisition on the financial results and financial position of the Group for the year ended and as at 31 December 2003 respectively are summarised as follows:

	<b>RM'000</b>
Revenue	5,764
Operating costs	(5,332)
Net profit	<u>432</u>
Net assets of subsidiary companies acquired	69,202
Reserve on consolidation	<u>(7,331)</u>

Further details of the acquisition of remaining equity interest in MSSB Group are as disclosed in Note 46(b) to the financial statements.

The acquisitions of Casa Mujur Sdn. Bhd., Allson Hotels and Resorts Management Sdn. Bhd. (formerly known as Silk Consolidated Sdn. Bhd.) and Sunway Bukit Gambier Sdn. Bhd. (formerly known as Casa Fareast Sdn. Bhd.) during the financial year do not have any material effect on the financial results and financial position of the Group.

## 8. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

	<b>Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest bearing amounts	<b>754,412</b>	681,338
Non interest bearing amounts	<b>155,964</b>	122,273
	<u><b>910,376</b></u>	<u>803,611</u>
Less: Provision for doubtful debts	<b>(48,440)</b>	(48,324)
	<u><b>861,936</b></u>	<u>755,287</u>

The amounts due from subsidiary companies are unsecured and have no fixed terms of repayment. The interest bearing amounts bear interest at rates ranging from 3.46% to 7.40% (2002: 1.0% to 7.4%) per annum.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 9. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unquoted shares at cost	5,782	22,687	2,000	18,905
Share of post-acquisition (losses)/reserves	(3,760)	13,505	–	–
	<b>2,022</b>	36,192	<b>2,000</b>	18,905
Less: Accumulated impairment losses	(425)	(732)	(2,000)	(2,500)
	<b>1,597</b>	35,460	–	16,405
Represented by:				
Share of net assets	<b>1,597</b>	35,460		

Details of the associated companies are set out in Note 45 to the financial statements.

Included in the share of results from associated companies in the previous financial year was share of gain on disposal of an associated company's investment property of RM26,267,000 in connection with the asset-backed securitisation exercise as disclosed in Note 11 to the financial statements. The said associated company became a wholly owned subsidiary company of the Company during the financial year following the acquisition of the remaining equity interest in the associated company.

## 10. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Note	Group	Company
		2003 RM'000	2003 RM'000
Unquoted shares at cost		10,000	10,000
Share of post-acquisition losses		(36)	–
		<b>9,964</b>	10,000
Share application monies	(a) (b)	872	872
		<b>10,836</b>	10,872

Details of the jointly controlled entity are as follows:

Name of Company	Country of Incorporation	Principal Activity	Equity Interest Held	
			2003 %	2002 %
Sunway SPK Homes Sdn. Bhd. (formerly known as Alternative Entity Sdn. Bhd.)	Malaysia	Property development	50	–

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 10. INVESTMENT IN JOINTLY CONTROLLED ENTITY (CONTD.)

(a) The Group's share of the assets, liabilities, income and expenses of the jointly controlled entity is as follows:

	<b>2003</b> <b>RM'000</b>
Current assets	17,427
Non-current assets	9,482
Current liabilities	(16,510)
Non-current liabilities	(435)
Net assets	<u>9,964</u>
Income	<u>-</u>
Expenses	<u>(36)</u>

(b) Share application monies was paid to the jointly controlled entity for the subscription of redeemable preference shares in the said entity.

## 11. OTHER NON-CURRENT INVESTMENTS

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Subordinated Class D Notes ("SCDN") at cost	<b>466,203</b>	392,840

The above represents investment in SCDN issued by ABS Real Estate Berhad ("AREB"). The principal activities of AREB are those of implementation of securitisation transactions which involve the acquisition of properties and investments, the letting out of properties and the issuance of notes to the investors.

The increase in investment in SCDN during the financial year was due to the acquisition of the remaining equity interest in MSSB Group which the Company did not own previously, thereby making MSSB a wholly owned subsidiary company as disclosed in Note 7 to the financial statements.

On 30 October 2002, the Group and MSSB, its then associated company, completed an asset-backed securitisation exercise ("ABS exercise") involving the disposal of six (6) properties including the plant and equipment together with its lease rights, and redeemable preference shares ("properties and shares") to AREB, a special purpose vehicle, (collectively "asset-backed securitisation").

Pursuant to the ABS exercise, AREB has also issued Senior Class A, B, C1 and C2 Notes ("Senior Notes") to investors in the domestic debt capital markets to finance the cash settlement of the abovementioned acquisitions. The Senior Notes will be subject to redemption in part semi-annually, for which the amount will vary, and the balance not redeemed may be redeemed by AREB at its nominal value six (6) years ("legal maturity") from the date of issue of 30 October 2002 together with interest accrued or at the end of year five (5) ("early redemption") due to exercise of purchase options by the Company or entity nominated by the Company.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 11. OTHER NON-CURRENT INVESTMENTS (CONTD.)

The SCDN's coupon rate of 20% is due semi-annually and the SCDN together with accrued interest of 20% can only be redeemed after all outstanding principal and interests due to the holders of the Senior Class A, B, C1 and C2 Notes issued by AREB have been fully repaid. In view of the uncertainty of the amount of interest that may be recovered, the interest income on the SCDN shall be recognised in the financial statements upon receipt. The SCDN shall be held solely by the Group or its respective nominees and may only be traded or transferred once within the Group or to Sunway Holdings Incorporated Berhad ("Suninc") Group. The relationship with Suninc Group is as disclosed in Note 41 to the financial statements.

Subsequent to the disposals, the Company entered into six (6) operating lease agreements with AREB whereby AREB has granted leases to the Company in respect of properties disposed of by the Group and its then associated company for a period of up to thirty-five (35) years, save for certain plant and equipment which will be leased for ten (10) years. Under the terms of each of the operating lease agreements, the Company has unilateral option to purchase or may nominate another person to purchase these leased properties for a price to be determined by an independent firm of professional valuers at the time of the exercise of the purchase options and the outstanding preference shares at the end of year five (5). If the Company does not exercise the purchase options granted within the option period, AREB may exercise its right to dispose of its interests in the properties and shares in the open market.

Concurrent with the execution of the operating lease agreements, the Company has entered into six (6) sub-lease agreements with its subsidiary companies for a term equal to the term of the operating lease agreements less one (1) day. Rent payments received by the Company in respect of the subleases will be paid into the Sublease Collections Account, a specified account opened by the Company, established for the purpose of receiving these payments. The Sublease Collections Account, as disclosed in Note 18 to the financial statements, of which a charge has been created in favour of the Trustee, will be operated solely by the Trustee, Mayban Trustees Berhad.

The commitments arising from the redeemable preference shares and operating leases and sub-leases are disclosed in Notes 28 and 43 to the financial statements.

## 12. GOODWILL ON CONSOLIDATION

	Group	
	2003	2002
	RM'000	RM'000
Goodwill:		
At 1 January	26,795	10,912
Arising from increase in equity interests in subsidiary companies	-	15,883
	<hr/>	<hr/>
	26,795	26,795
Less: Accumulated amortisation	(4,036)	(2,495)
	<hr/>	<hr/>
	22,759	24,300
	<hr/>	<hr/>
Reserve on consolidation:		
At 1 January	(386)	(386)
Arising from acquisition of remaining equity interest in an associated company, thereby making it a subsidiary company	(7,331)	-
	<hr/>	<hr/>
At 31 December	(7,717)	(386)
	<hr/>	<hr/>
Total	15,042	23,914

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 13. PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost:				
Freehold land	164,267	169,944	-	-
Long term leasehold land	140,748	108,944	1,345	1,333
Development expenditure	926,355	691,989	138,581	121,438
	<b>1,231,370</b>	970,877	<b>139,926</b>	122,771
Less: Write down in value of development expenditure	(9,830)	(9,830)	-	-
	<b>1,221,540</b>	961,047	<b>139,926</b>	122,771
Add: Attributable profits	383,039	276,084	35,700	27,389
	<b>1,604,579</b>	1,237,131	<b>175,626</b>	150,160
Less: Transfer to property stocks	(11,195)	-	-	-
Less: Progress billings	(1,283,985)	(986,634)	(139,587)	(116,858)
	<b>309,399</b>	250,497	<b>36,039</b>	33,302

Included in the Group's development expenditure is interest capitalised during the year of RM450,000 (2002: RM389,000).

Freehold land of certain subsidiary companies costing RM75,238,000 (2002: RM80,859,000) are pledged to banks for loan facilities granted to the Company and a subsidiary company.

Long term leasehold land of the Group and of the Company costing RM28,112,000 (2002: RM25,049,000) and RM4,658,000 (2002: RM4,658,000) respectively are pledged to banks for revolving credit and loan facilities granted to the Company and a subsidiary company respectively.

## 14. INVENTORIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost:				
Property stocks	20,763	12,817	3,282	3,282
Trading inventories	5,989	4,958	-	-
Food and beverages	1,080	1,063	-	-
Consumables	326	1,852	-	-
	<b>28,158</b>	20,690	<b>3,282</b>	3,282
At net realisable value:				
Consumables	1,235	-	-	-
	<b>29,393</b>	20,690	<b>3,282</b>	3,282

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 15. TRADE RECEIVABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	113,609	71,738	11,414	12,715
Less: Provision for doubtful debts	(6,742)	(9,937)	(2,901)	(2,599)
	<b>106,867</b>	<b>61,801</b>	<b>8,513</b>	<b>10,116</b>

Included in trade receivables are the following amounts owing by related parties:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sunway Holdings Incorporated Berhad Group ("Suninc Group")	3,494	3,444	1,559	1,534
Dekon Sdn. Bhd. Group ("DSB Group")	18	19	-	-
PRK Builders Sdn. Bhd. ("PRK")	56	-	-	-

The amounts owing by the related parties are unsecured and interest free except for RM2,902,000 (2002: RM343,000) and RM338,000 (2002: RM338,000) owing by Suninc Group to the Group and the Company respectively which bear interests at 5% per annum. The relationship with the above related parties is as disclosed in Note 41 to the financial statements.

The Group and the Company's normal trade credit term ranges from 14 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

## 16. OTHER RECEIVABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Other receivables	32,635	23,294	8,918	9,590
Deposits	19,378	3,874	1,399	1,700
Prepayments	3,207	3,902	146	340
	<b>55,220</b>	<b>31,070</b>	<b>10,463</b>	<b>11,630</b>
Less: Provision for doubtful debts	(6,775)	(8,093)	(4,504)	(4,718)
	<b>48,445</b>	<b>22,977</b>	<b>5,959</b>	<b>6,912</b>

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 16. OTHER RECEIVABLES (CONTD.)

Included in other receivables are the following amounts owing by related parties:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sunway Holdings Incorporated Berhad Group ("Suninc Group")	3,055	3,069	2,684	2,931
PRK Builders Sdn. Bhd. ("PRK")	473	–	473	–

The amounts owing by the related parties are unsecured and interest free except for RM523,000 (2002: RM523,000) and RM158,000 (2002: RM158,000) owing by Suninc Group to the Group and the Company respectively which bear interests at 5% per annum. The relationship with the related parties is as disclosed in Note 41 to the financial statements.

Deposits comprise deposits paid amounting to RM13,324,655 for the acquisition of land by certain subsidiary companies.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

## 17. AMOUNTS DUE FROM ASSOCIATED COMPANIES

The amounts due from the associated companies of the Group are stated net of provision for doubtful debts of RM1,862,000 (2002: RM1,773,000). The amounts due from associated companies are unsecured, interest-free and have no fixed terms of repayment.

## 18. CASH AND BANK BALANCES

Included in cash and bank balances of the Group is RM78,323,000 (2002: RM65,609,000) held under the Housing Development Accounts pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966.

Included in cash and bank balances of the Group and the Company is an amount of RM8,266,000 (2002: RM8,166,000) held in a Sublease Collections Account, of which a charge has been created in favour of the Trustee, pursuant to the asset-backed securitisation exercise as disclosed in Note 11 to the financial statements.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 19. TRADE PAYABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables	126,985	88,887	17,841	29,056
Billings in excess of cost incurred	4,484	–	–	–
	<b>131,469</b>	<b>88,887</b>	<b>17,841</b>	<b>29,056</b>

Included in trade payables are the following amounts owing to related parties:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sunway Holdings Incorporated Berhad Group ("Suninc Group")	31,637	20,018	3,048	12,760
Dekon Sdn. Bhd. Group ("DSB Group")	18,480	305	2,182	–
PRK Builders Sdn. Bhd. ("PRK")	6,682	–	968	–

The amounts owing to the related parties are unsecured and interest free except for RM3,797,000 (2002: RM12,180,000) and RM772,000 (2002: RM10,193,000) owing by the Group and the Company respectively to Suninc Group which bear interest at rates ranging from 7% to 8% (2002: 8%) per annum.

The relationship with the above related parties is as disclosed in Note 41 to the financial statements.

The normal trade credit term granted to the Group and the Company ranges from 15 to 90 days and 30 days respectively.

## 20. OTHER PAYABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Other payables	109,413	86,933	23,268	12,699
Amounts due to contractors and consultants	96,886	96,719	35,340	19,502
Redeemable preference shares issued by a subsidiary company (Note 28)	32,620	32,452	–	–
Accruals	28,460	36,301	2,760	4,002
Refundable deposits	11,351	17,234	1,260	1,369
	<b>278,730</b>	<b>269,639</b>	<b>62,628</b>	<b>37,572</b>

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 20. OTHER PAYABLES (CONTD.)

Included in other payables are amounts owing to Sunway Holdings Incorporated Berhad ("Suninc") as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Balance consideration for the acquisition of remaining equity interest in MSSB Group ("balance consideration") (Note 46(b))	7,839	–	7,839	–
Dividend in respect of previous financial years payable by MSSB Group ("dividend payable")	11,667	–	–	–

The balance consideration is unsecured and bears interest at 3% (2002: Nil) per annum whereas the dividend payable is unsecured and interest free.

Included in amounts due to contractors and consultants are the following amounts owing to related parties:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sunway Holdings Incorporated Berhad Group ("Suninc Group")	91,746	73,452	34,980	9,684
Dekon Sdn. Bhd. Group ("DSB Group")	1,166	2,139	45	–

The amounts due to contractors and consultants are unsecured and interest free except for RM81,901,000 (2002: RM69,243,000) and RM11,275,000 (2002: RM Nil) owing by the Group and the Company respectively to Suninc Group which bear interest at 7% to 8% (2002: 8%) per annum.

The relationship with the above related parties is as disclosed in Note 41 to the financial statements.

## 21. BANK BORROWINGS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Bank overdrafts				
- secured	4,867	3,596	–	654
- unsecured	2,039	2,564	–	–
Trade bills - secured	7,153	4,933	–	–
Current portion of :				
- term loans (Note 27)				
- secured	34,412	28,462	21,857	18,600
- unsecured	8,622	5,892	–	–
- unsecured revolving credits (Note 27)	–	2,000	–	2,000

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 21. BANK BORROWINGS (CONTD.)

The bank overdrafts bear interest at rates ranging from 1.00% to 8.40% (2002: 3.50% to 8.40%) per annum.

The trade bills bear interest at rates ranging from 4.33% to 4.92% (2002: 4.33% to 4.92%) per annum.

Details of the assets on which the secured bank borrowings are secured are as disclosed in Note 27 to the financial statements.

## 22. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Minimum lease payments:				
Not later than 1 year	5,804	6,515	32	936
Later than 1 year and not later than 2 years	2,469	4,838	–	6
Later than 2 years and not later than 5 years	1,599	1,902	–	–
Later than 5 years	33	–	–	–
	<b>9,905</b>	13,255	<b>32</b>	942
Less: Future finance charges	<b>(1,052)</b>	(1,627)	<b>(9)</b>	(37)
Present value of finance lease liabilities	<b>8,853</b>	11,628	<b>23</b>	905
Present value of finance lease liabilities:				
Not later than 1 year	5,141	5,484	23	899
Later than 1 year and not later than 2 years	2,216	4,396	–	6
Later than 2 years and not later than 5 years	1,465	1,748	–	–
Later than 5 years	31	–	–	–
	<b>8,853</b>	11,628	<b>23</b>	905
Analysed as:				
Due within 12 months	5,141	5,484	23	899
Due after 12 months	3,712	6,144	–	6
	<b>8,853</b>	11,628	<b>23</b>	905

Approximately RM9,079,000 (2002: RM13,096,000) and RM Nil (2002: RM848,000) of the gross amounts payable to hire purchase and lease creditors of the Group and of the Company are owing to a subsidiary company of Suninc, Sunway Credit & Leasing Sdn. Bhd. The relationship with the related party is as disclosed in Note 41 to the financial statements.

The hire purchase and lease liabilities bear interest at rates ranging from 3.50% to 11.50% (2002: 3.50% to 11.50%) per annum.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 23. SHARE CAPITAL

	Group/Company		Group/Company	
	2003	2002	2003	2002
	No. of shares	No. of shares	RM'000	RM'000
Authorised:				
Ordinary shares of RM1.00 each	<b>800,000</b>	800,000	<b>800,000</b>	800,000
6.6% Cumulative Convertible Preference Shares of RM1.00 each	<b>200,000</b>	200,000	<b>200,000</b>	200,000
	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	<b>340,199</b>	340,199	<b>340,199</b>	340,199
Issued under the Employees' Share Option Scheme	<b>53</b>	–	<b>53</b>	–
Conversion of preference share capital	<b>60,000</b>	–	<b>60,000</b>	–
At 31 December	<b>400,252</b>	340,199	<b>400,252</b>	340,199
6.6% Cumulative Convertible Preference Shares of RM1.00 each:				
At 1 January	<b>108,000</b>	108,000	<b>108,000</b>	108,000
Conversion to ordinary share capital	<b>(108,000)</b>	–	<b>(108,000)</b>	–
At 31 December	–	108,000	–	108,000
Total share capital	<b>400,252</b>	448,199	<b>400,252</b>	448,199

During the financial year, the Company increased its issued and paid-up share capital from RM340,199,000 to RM400,252,000 by way of the:

- (a) issuance of 53,000 new ordinary shares of RM1.00 each to eligible employees of the Group under the Employees' Share Option Scheme at RM1.00 per share for cash; and
- (b) conversion of the 108,000,000 6.6% Cumulative Convertible Preference Shares ("CCPS") of RM1.00 each to 60,000,000 new ordinary shares of RM1.00 each. The share premium arising amounting to RM48,000,000 has been credited to the share premium account as disclosed in Note 24 to the financial statements.

The new ordinary shares shall rank pari passu in all respects with the existing ordinary shares.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 24. SHARE PREMIUM

	Group/Company	
	2003	2002
	RM'000	RM'000
At 1 January	110,363	110,363
Arising from issuance of new ordinary shares on conversion of 108,000,000 6.6% Cumulative Convertible Preference Shares (Note 23)	48,000	–
At 31 December	<b>158,363</b>	110,363

## 25. RESERVES

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Non distributable reserves:				
Capital reserve	21,594	20,428	–	–
Exchange reserve	15,855	8,182	–	–
Total non-distributable reserves	<b>37,449</b>	28,610	–	–
Distributable reserve :				
Retained profit	166,794	147,837	208,077	204,550
Total reserves	<b>204,243</b>	176,447	<b>208,077</b>	204,550

Capital reserve represents share premium arising from shares issued by a subsidiary company to minority shareholders and the creation of capital redemption reserve arising from redemption of redeemable preference shares by certain subsidiary companies.

At 31 December 2003, the Company has tax exempt profits available for distribution of approximately RM131,231,000 (2002: RM131,231,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profit as at 31 December 2003 without having to incur additional tax liability.

## 26. MINORITY INTERESTS

Included in minority interests are the following preference shares issued to minority shareholders of certain subsidiary companies:

- (a) 5% cumulative redeemable preference shares "A" issued to minority shareholders of Sunway Damansara Sdn. Bhd. amounting to RM45,845,000 (2002: RM45,845,000). These shares confer on the holders the right to cumulative preferential dividends of 5% which rank in priority to ordinary dividends. These shares are redeemable at par in cash at any time after 16 May 1999.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 26. MINORITY INTERESTS (CONTD.)

- (b) 5% cumulative redeemable convertible preference shares issued to minority shareholders of Sunway Tunas Sdn. Bhd. amounting to RM15,000,000 (2002: RM15,000,000). These shares confer on its holders a cumulative preference dividend of 5% per annum which ranks in priority to ordinary dividends. These shares are redeemable at par and in cash or convertible into ordinary shares on the basis of one convertible preference share of RM1.00 each for one ordinary share of RM1.00 each at any time after 16 May 1999.
- (c) 5% non-cumulative redeemable preference shares issued to minority shareholders of Sunway Lagoon Sdn. Bhd. amounting to RM588,000 (2002: RM588,000). These shares confer on its holders a fixed non-cumulative preferential dividends of 5% per annum which rank in priority to ordinary dividends. These shares are redeemable at a premium of RM0.99 per share at any time.

## 27. LONG TERM BANK BORROWINGS

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revolving credits	(a)				
- secured		<b>136,400</b>	128,400	<b>136,400</b>	128,400
- unsecured		-	45,500	-	45,500
		<b>136,400</b>	173,900	<b>136,400</b>	173,900
Unsecured commercial papers	(b)	<b>69,447</b>	79,367	<b>69,447</b>	79,367
Unsecured medium term notes	(b)	<b>153,823</b>	-	<b>153,823</b>	-
Term loans - secured	(c)				
- Type 1		<b>21,857</b>	49,600	<b>21,857</b>	49,600
- Type 2		<b>4,731</b>	-	-	-
- Type 3		<b>33,583</b>	37,791	-	-
- Type 4		<b>6,079</b>	10,778	-	-
- Type 5		<b>60,000</b>	-	-	-
Term loans - unsecured					
- Type 6		<b>15,602</b>	21,340	-	-
- Type 7		<b>2,014</b>	2,014	-	-
		<b>143,866</b>	121,523	<b>21,857</b>	49,600
Total bank borrowings		<b>503,536</b>	374,790	<b>381,527</b>	302,867
Less: Amounts repayable within 1 year					
- term loans (Note 21)		<b>(43,034)</b>	(34,354)	<b>(21,857)</b>	(18,600)
- revolving credits (Note 21)		-	(2,000)	-	(2,000)
Amounts repayable after 1 year		<b>460,502</b>	338,436	<b>359,670</b>	282,267

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 27. LONG TERM BANK BORROWINGS (CONTD.)

- (a) The revolving credits bear interest at rates ranging from 4.60% to 8.00% (2002: 4.50% to 8.15%) per annum. Secured revolving credits which are due to be repaid within the next twelve (12) months but are rolled over subsequent to the financial year end are treated as long term bank borrowings. Unsecured revolving credits of RM45,500,000 were repaid during the financial year from the utilisation of the proceeds from the issuance of three (3) year medium term notes.
- (b) The unsecured commercial papers ("CPs") bear interest at rates ranging from 4.25% to 4.75% (2002: 4.25%) per annum and have maturity periods ranging from one (1) to three (3) months. The unsecured CPs were rolled over subsequent to the financial year end for the same tenure and the Company intends to roll over the CPs over its remaining availability period of six (6) years, when necessary. Accordingly, the CPs are classified as long term bank borrowings.

The unsecured medium term notes ("MTNs") bear interest at rates ranging from 6.30% to 6.60% (2002: Nil) per annum and have maturity periods ranging from two (2) to three (3) years. The Company intends to roll over the MTNs over its remaining availability period of six (6) years. Accordingly, the MTNs are classified as long term bank borrowings.

The tenure of the CP/MTN Programme (collectively, the "Notes") is for a period of seven (7) years from the date of the first issuance of the Notes on 10 December 2002. The Company may issue CPs with tenors of one (1), two (2), three (3), six (6), nine (9) months or such other period not exceeding three hundred and sixty five (365) days and MTNs with tenors of between twelve (12) months and seventy two (72) months provided that such Notes shall not mature beyond the tenure of the Notes Programme. The Notes may be issued at par or at a discount to or premium over par. In the case of where MTNs are issued on an interest-bearing basis, such MTNs will have attached to them the Coupons. The Coupons are payable monthly, quarterly, semi-annually or annually in arrears. The Coupons may (but need not) be detached and traded independently of the MTNs.

The Notes and the Coupons constitute direct, unconditional, unsecured and unsubordinated obligations of the Company. The Notes will rank at least equally and rateably in all respects to all other unsecured and unsubordinated obligations of the Company except liabilities which are preferred by mandatory provisions of law.

At 31 December 2003, Notes with nominal value of RM25 million have yet to be issued. The Notes have been fully issued subsequent to the financial year end for working capital purposes.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 27. LONG TERM BANK BORROWINGS (CONTD.)

(b) Details of the outstanding CPs and MTNs are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unsecured commercial papers:				
Par value issued	70,000	80,000	70,000	80,000
Less: Discount on issuance, net of amortisation	(553)	(633)	(553)	(633)
	<b>69,447</b>	<b>79,367</b>	<b>69,447</b>	<b>79,367</b>
Unsecured medium term notes:				
Par value issued	155,000	–	155,000	–
Less: Coupon on issuance, net of amortisation	(1,177)	–	(1,177)	–
	<b>153,823</b>	<b>–</b>	<b>153,823</b>	<b>–</b>

(c) The term loans are repayable as follows:

Not later than 1 year	43,034	34,354	21,857	18,600
Later than 1 year and not later than 2 years	14,554	48,914	–	31,000
Later than 2 years and not later than 5 years	77,997	25,574	–	–
Later than 5 years	8,281	12,681	–	–
	<b>143,866</b>	<b>121,523</b>	<b>21,857</b>	<b>49,600</b>

Details of the terms of repayment and effective interest rates are as follows:

Loan	Name of Companies	Effective Interest rate	Repayment Terms	Commencement Date
Type 1	Sunway City Berhad	6.81%	2 years	September 2003
Type 2	Sunway City (Ipoh) Sdn. Bhd.	7.75%	By way of redemption	February 2003
Type 3	Sunway Medical Centre Berhad	8.40%	8 years	January 2002
Type 4	Sunway Semenyih Sdn. Bhd.	7.65%	By way of redemption	March 2001
Type 5	Sunway Resort Hotel Sdn. Bhd.	6.50%	3 years	June 2003
Type 6	Sunway Hotel Phnom Penh, Ltd.	3.25% - 3.43%	9 years	March 2001
Type 7	Sunway Medical Centre Berhad	5.00% - 8.41%	2 years	December 2003

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 27. LONG TERM BANK BORROWINGS (CONTD.)

The secured term loans, revolving credits, bank overdrafts and trade bills of the Group and of the Company are secured by legal charges on land as well as fixed and floating charges on assets of the Group and of the Company amounting to RM395,384,000 (2002: RM271,297,000) and RM19,618,000 (2002: RM19,618,000) respectively as disclosed in Notes 4, 5, 6 and 13 to the financial statements.

## 28. LONG TERM LIABILITIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Preference shares issued by a subsidiary company				
At 31 December	<b>195,206</b>	227,658	–	–
Redeemable within 1 year (Note 20)	<b>(32,620)</b>	(32,452)	–	–
Redeemable after 1 year	<b>162,586</b>	195,206	–	–
Amounts payable to contractors and consultants	<b>40,000</b>	72,000	–	29,000
Refundable deposits	<b>16,061</b>	7,941	–	–
Other long term liabilities	–	8,500	–	–
	<b>218,647</b>	283,647	–	29,000

Preference shares issued by a subsidiary company, Sunway Pyramid Sdn. Bhd., comprise 20% Cumulative Redeemable Preference Shares ("CRPS") of RM0.10 each issued to its minority shareholder and ABS Real Estate Berhad in connection with the asset-backed securitisation exercise as disclosed in Note 11 to the financial statements. The CRPS are to be mandatorily redeemed semi-annually at RM2.79 per share over a period of seven (7) years commencing April 2003 and bear an effective interest rate of 0.72% (2002: 0.72%) per annum. The redemption schedule of the CRPS is as follows:

	Group	
	2003 RM'000	2002 RM'000
Not later than 1 year	<b>32,620</b>	32,452
Later than 1 year and not later than 2 years	<b>32,789</b>	32,620
Later than 2 years and not later than 5 years	<b>99,386</b>	98,875
Later than 5 years	<b>30,411</b>	63,711
	<b>195,206</b>	227,658

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 28. LONG TERM LIABILITIES (CONTD.)

The amounts payable to contractors and consultants are included as long term liabilities as the contractors and consultants have agreed not to demand repayment within the next 12 months. These contractors and consultants are member companies of Suninc Group. The relationship with the related parties is as disclosed in Note 41 to the financial statements. The balances are unsecured and interest free except for RM40,000,000 (2002: RM72,000,000) and RM Nil (2002: RM25,294,000) owing by the Group and the Company respectively which bear interest at 7% to 8% (2002: 8%) per annum.

The refundable deposits are in respect of deposits received by subsidiary companies for tenancy contracts for a tenure of two to three years.

Other long term liabilities in the previous year represent the balance of the purchase consideration of a piece of freehold land of a subsidiary company due to the vendor. The amount was fully repaid in the current financial year.

## 29. ADVANCES BY MINORITY SHAREHOLDERS OF SUBSIDIARY COMPANIES

The advances by minority shareholders of subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

These advances are stated net of the minority shareholders' share of losses in a subsidiary company of RM39,871,000 (2002: RM40,581,000).

## 30. AMOUNTS DUE TO SUBSIDIARY COMPANIES

The amounts due to subsidiary companies are unsecured, have no fixed terms of repayment and bear interest at rates ranging from 3.70% to 6.50% (2002: 4.20% to 4.68%) per annum except for RM56,967,000 (2002: RM34,365,000) which is interest free.

## 31. DEFERRED INCOME TAX

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At 1 January	(12,344)	18,772	–	2,406
Prior year adjustment (Note 37)	–	(36,525)	–	–
At 1 January (restated)	(12,344)	(17,753)	–	2,406
Charged/(credited) to income statement (Note 36)	7,341	5,409	–	(2,406)
Acquisition of subsidiary company	204	–	–	–
At 31 December	(4,799)	(12,344)	–	–

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 31. DEFERRED INCOME TAX (CONTD.)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(4,833)	(12,349)	-	-
Deferred tax liabilities	34	5	-	-
	<b>(4,799)</b>	<b>(12,344)</b>	-	-

Deferred tax assets have been recognised by the Group as they may be used to offset future taxable profits based on the management's projected business plan.

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

### Deferred Tax Liabilities of the Group

	Accelerated Capital Allowances RM'000
At 1 January 2003	21,760
Charged to income statement	1,616
Acquisition of subsidiary company	204
At 31 December 2003	<b>23,580</b>

### Deferred Tax Assets of the Group

	At 1 January 2003 RM'000	(Credited)/ charged to income statement RM'000	At 31 December 2003 RM'000
Progress Billings	(2,110)	(546)	(2,656)
Provisions for Liabilities	(134)	23	(111)
Tax Losses, Unabsorbed Capital Allowances and Unused Tax Credits	(31,747)	6,260	(25,487)
Unrealised Profit	(113)	-	(113)
Others	-	(12)	(12)
	<b>(34,104)</b>	<b>5,725</b>	<b>(28,379)</b>

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 31. DEFERRED INCOME TAX (CONTD.)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unused tax losses	33,718	26,992	–	–
Unabsorbed capital allowances	43,295	42,815	6,019	5,368
Unused tax credits	105,311	105,311	–	–
	<b>182,324</b>	<b>175,118</b>	<b>6,019</b>	<b>5,368</b>

The unused tax losses, unabsorbed capital allowances and unused tax credits are available indefinitely for offset against future taxable profits of the subsidiary companies and the Company in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiary companies in the Group and they have arisen in subsidiary companies that have a recent history of losses.

## 32. REVENUE

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sale of properties	364,241	321,176	21,676	31,166
Rental income	97,588	81,234	53,870	12,733
Sale of goods and services	262,772	254,345	–	–
Subscription fees and others	4,039	2,673	42	167
Gross dividends from:				
- subsidiary companies	–	–	20,651	50,159
- associated companies	–	–	–	9,774
	<b>728,640</b>	<b>659,428</b>	<b>96,239</b>	<b>103,999</b>

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 33. PROFIT FROM OPERATIONS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
This is arrived at after charging/(crediting):				
Auditors' remuneration - audit				
- current year	507	468	89	78
- under provision in prior year	15	18	11	4
Auditors' remuneration - non-audit	6	163	-	25
Amortisation/write-off of goodwill	1,541	1,308	-	-
Bad debts written off	1,750	1,155	10	-
Depreciation of property, plant and equipment	31,288	49,664	3,096	2,995
Development expenditure written off	511	16	511	-
Directors' emoluments payable to				
- executive Directors of the Company	3,477	1,518	3,477	1,518
- non-executive Directors of the Company	27	34	27	34
Directors' fees payable to non-executive Directors of the Company	72	72	72	72
Inventories written off	22	431	-	-
Operating lease rentals	46,800	8,166	46,800	8,166
Provision for doubtful debts				
- due from subsidiary companies	-	-	260	-
- due from associated companies	89	15	-	-
- others	846	1,275	311	322
Provision for slow moving inventories	96	214	-	-
Rental of				
- land and buildings	2,255	2,062	1,112	999
- equipment, plant and machinery	885	731	249	75
- others	24	83	-	81
Write down in value of				
- land held for development	2,730	1,159	-	-
- properties under development	-	9,830	-	-
Write down in value of investment properties	222	76	-	-
Interest income				
- from subsidiary companies	-	-	(24,964)	(20,184)
- others	(5,226)	(4,097)	(959)	(669)
Provision for doubtful debts no longer required	(2,517)	(968)	(296)	-
Rental income				
- equipment	(3,033)	(1,917)	-	-
- others	(4,321)	(3,326)	-	-
Realised exchange gain	(80)	(159)	-	-

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 33. PROFIT FROM OPERATIONS (CONTD.)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Staff costs:				
Wages and salaries	82,725	74,481	7,381	5,781
Pension costs				
- defined contribution plan	9,177	8,210	1,071	1,034
Other staff related expenses	28,322	24,790	2,936	3,451
	<b>120,224</b>	107,481	<b>11,388</b>	10,266

The estimated monetary value of Executive Directors' benefits-in-kind of the Company is RM140,000 (2002: RM120,000).

## 34. FINANCE COSTS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Dividend on redeemable preference shares issued by a subsidiary company	996	368	-	-
Interest expense:				
- hire purchase and lease arrangements	1,147	4,112	42	875
- inter-company balances	-	-	2,649	1,714
- related party balances	7,673	14,317	2,860	3,387
- commercial papers and medium term notes	10,583	205	10,583	205
- revolving credits	7,095	11,339	7,059	11,339
- term loans	9,298	20,760	2,734	1,037
- bank overdrafts	263	1,290	57	390
	<b>37,055</b>	52,391	<b>25,984</b>	18,947

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 35. RESULTS ARISING FROM OTHER INVESTING ACTIVITIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Loss on disposal of associated company	(2,426)	–	(2,426)	–
(Loss)/gain on disposal of property, plant and equipment	(291)	6,658	142	9
Gain on disposal of investment properties	–	113,912	–	–
Property, plant and equipment written off	(6)	(2,558)	–	–
Investment properties written off	–	(76)	–	–
Impairment losses on				
- property, plant and equipment	–	(73,192)	–	(17,807)
- investment in subsidiary company	–	–	(215)	–
- investment in associated company	–	(732)	–	–
Write-back of impairment losses on property, plant and equipment	38,495	–	–	–
Gain on compulsory acquisition of land and interest compensation by the government	7,642	–	–	–
	<b>43,414</b>	<b>44,012</b>	<b>(2,499)</b>	<b>(17,798)</b>

## 36. TAXATION

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax expense for the year				
Malaysian income tax				
- current	28,863	21,544	3,514	13,898
- prior year	(766)	24	450	48
	<b>28,097</b>	<b>21,568</b>	<b>3,964</b>	<b>13,946</b>
Real property gains tax				
- current	–	267	–	–
- prior year	2	–	–	–
	<b>2</b>	<b>267</b>	<b>–</b>	<b>–</b>
Deferred income tax (Note 31):				
- current year relating to origination and reversal of temporary differences	7,518	7,582	–	(62)
- prior year	(177)	(2,173)	–	(2,344)
	<b>7,341</b>	<b>5,409</b>	<b>–</b>	<b>(2,406)</b>
	<b>35,440</b>	<b>27,244</b>	<b>3,964</b>	<b>11,540</b>

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 36. TAXATION (CONTD.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2002: 28%) of the estimated assessable profit for the year except for the tax incentive of 8% exempted for the first RM100,000 taxable profit each granted to certain subsidiary companies by the Authority. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the financial year, the Group utilised tax losses brought forward of RM1,157,000 (2002: RM642,000) giving rise to tax savings of approximately RM324,000 (2002: RM180,000).

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2003 RM'000	2002 RM'000
<b>Group</b>		
Profit before taxation	107,134	156,544
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	29,998	43,832
Effect of income subject to tax rate of 20%	(72)	-
Effect of different tax rates in other countries	115	102
Income subject to real property gains tax	-	(707)
Income not subject to tax	(12,713)	(56,686)
Expenses not deductible for tax purposes	11,356	15,465
Utilisation of unabsorbed tax losses and capital allowances previously not recognised as deferred tax assets	(2,214)	(2,855)
Deferred tax assets not recognised during the year	9,911	30,242
Over provision of deferred tax liabilities in prior years adjusted in current year	(122)	(2,173)
Under recognition of deferred tax assets in prior years adjusted in current year	(55)	-
(Over)/under provision of income tax in prior years adjusted in current year	(766)	24
Under provision of real property gains tax in prior years adjusted in current year	2	-
Tax expense for the year	35,440	27,244
<b>Company</b>		
Profit before taxation	12,848	39,045
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	3,598	10,933
Income not subject to tax	(1,680)	(3,246)
Expenses not deductible for tax purposes	945	659
Deferred tax assets not recognised during the year	651	5,490
Under provision of income tax in prior years adjusted in current year	450	48
Over provision of deferred tax liabilities in prior year adjusted in current year	-	(2,344)
Tax expense for the year	3,964	11,540

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 36. TAXATION (CONTD.)

The tax losses, capital allowances and tax credits for which the related tax effects have not been accounted for are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax losses	120,421	96,401	-	-
Capital allowances	154,625	152,909	21,496	19,171
Tax credits	376,111	376,111	-	-
	<b>651,157</b>	<b>625,421</b>	<b>21,496</b>	<b>19,171</b>

## 37. PRIOR YEAR ADJUSTMENT

In financial year ended 31 December 2002, on adoption of MASB 25 - Income Taxes, the financial statements of the previous year had been restated to provide for deferred tax liabilities on temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Although the Group has certain tax incentives which could be used to set-off against taxable profit, deferred tax assets that might arise from such tax incentives were not recognised in arriving at the deferred tax position of the Group.

During the year, a prior year adjustment ("PYA") was effected to take into account the above deferred tax assets. Details of the effect of the PYA to the Group are as follows:

	Group	
	2003 RM'000	2002 RM'000
Effect on retained profit:		
At 1 January, as previously stated	131,892	17,644
Effect of PYA	15,945	18,993
At 1 January, as restated	<b>147,837</b>	<b>36,637</b>
Effect on net profit for the year:		
Net profit for the year, as previously stated	29,505	121,488
Effect of PYA	(4,025)	(3,048)
Net profit for the year, as restated	<b>25,480</b>	<b>118,440</b>

The reduction in net profit for the year was due to the reversal of temporary differences that gave rise to the deferred tax assets recognised arising from the PYA.

Further details of the comparative amounts at 31 December 2002 which have been restated as a result of the PYA are disclosed in Note 50 to the financial statements.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 38. DIVIDENDS

	Group/Company	
	2003	2002
	RM'000	RM'000
6.6% less 28% taxation on CCPS, paid in February 2003	1,188	-
6.6% less 28% taxation on CCPS, paid in February 2002 and August 2002	-	7,128
Interim dividend of 1.5% less 28% taxation on ordinary shares (1.08 sen net per share), paid in April 2003	4,322	-
	5,510	7,128
6.6% less 28% taxation on CCPS - overprovision in prior year	(153)	-
	5,357	7,128

## 39. EARNINGS PER SHARE

### (a) Basic

The calculation of the basic earnings per share for the Group is based on profit after taxation and minority interests of RM25,480,000 (2002: RM118,440,000) less preference shares dividend of RM1,035,000 (2002: RM7,128,000) and the weighted average number of ordinary shares in issue as at 31 December 2003 of 391,327,000 (2002: 340,199,000).

Comparative basic earnings per share has been restated to take into account the effect of the prior year adjustment on net profit for that financial year as disclosed in Note 37 to the financial statements.

### (b) Diluted

The calculation of the diluted earnings per share for the Group is based on profit after taxation and minority interests of RM25,480,000 (2002: RM118,440,000) less preference shares dividend of RM1,035,000 (2002: RM7,128,000), divided by the number of ordinary shares that would have been in issue upon conversion of the following into ordinary shares:

	2003	2002
	'000	'000
Weighted average number of ordinary shares in issue	391,327	340,199
Adjustment for assumed conversion of		
- share options under the Employees' Share Option Scheme ("ESOS")	27,718	-
- 6.6% Cumulative Convertible Preference Shares ("CCPS")	-	60,000
	419,045	400,199
Adjusted weighted average number of ordinary shares that would have been in issue	419,045	400,199

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 39. EARNINGS PER SHARE (CONTD.)

The CCPS were converted into ordinary shares during the financial year as disclosed in Note 23 to the financial statements. In the previous financial year, the unissued share options under the Employees' Share Option Scheme were anti-dilutive and had not been taken into account in the calculation of diluted earnings per share.

Comparative basic earnings per share has been restated to take into account the effect of the prior year adjustment on net profit for that financial year as disclosed in Note 37 to the financial statements.

## 40. SIGNIFICANT INTER-COMPANY TRANSACTIONS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest receivable from subsidiary companies	-	-	(24,964)	(20,184)
Rent receivable from subsidiary companies	-	-	(48,050)	(8,016)
Rent receivable from associated company	-	(1,300)	-	(1,300)
Interest payable to subsidiary companies	-	-	2,649	1,714
Accounting services fees payable to subsidiary company	-	-	363	-
Rent payable to associated company	-	699	-	254
Rent payable to subsidiary company	-	-	495	-

## 41. RELATED PARTY TRANSACTIONS

During the year, the Group transacted with certain related parties. The transactions are principally payable to/(receivable from) the related parties in respect of:

Name of Companies	Nature of Transactions	Group	
		2003 RM'000	2002 RM'000
(a) Sunway Holdings Incorporated Berhad Group ("Suninc Group")	Construction costs	102,977	97,730
	Interest expense	9,546	14,317
	Management fees	492	192
	Insurance premium	3,660	2,847
	Lease rental	1,315	2,241
	Rental of premises	690	1,485
	Purchase of building materials	2,580	1
	Rental income	(2,891)	(1,238)
	Hotel and related services	(1,434)	(1,115)
	Recreational services	(78)	(59)
	Ticketing and tour sales	(529)	(599)
	Medical services	(713)	(660)
	Accounting and related services	(21)	-
	Property management services	-	(118)

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 41. RELATED PARTY TRANSACTIONS (CONTD.)

Name of Companies	Nature of Transactions	Group	
		2003 RM'000	2002 RM'000
(b) Buildtrend B.S.G. (M) Sdn. Bhd. Group ("Buildtrend Group")	Purchase of building materials	772	-
	Construction costs	-	11
	Medical services	(4)	-
(c) Koperasi Tunas Muda Sungai Ara Berhad Group ("KTM Group")	Construction costs	3,276	7,973
(d) Sunway Technology Sdn. Bhd. Group ("STSB Group")	Information systems products and consultancy fees	1,468	282
	Hotel and related services	(6)	(2)
	Recreational services	(1)	(2)
	Ticketing and tour sales	(46)	(121)
	Medical services	(40)	(40)
	Rental income	(163)	-
(e) Perbadanan Kemajuan Negeri Selangor Group ("PKNS Group")	Purchase of building materials	8,726	9
	Land and land related services	16,513	9,943
	Medical services	(1)	-
(f) Perusahaan Indah Sdn. Bhd. Group ("PISB Group")	Property management services	-	(3)
(g) Sungei Way Enterprise (1988) Sdn. Bhd. ("SWESB")	Hiring of machinery	3	-
	Construction cost	-	4
	Rental income	(224)	(195)
	Ticketing and tour sales	(29)	(13)
	Medical services	(37)	(17)
(h) Adasia (M) Sdn. Bhd. ("Adasia")	Recreational services	(1)	-
	Advertising fees	2,591	2,759
	Medical services	(6)	(1)
(i) CCM Chemicals Sdn. Bhd. ("CCM")	Rental income	(1)	-
	Purchase of chemicals and related products	270	537
	Medical services	(1)	-
(j) Infra-Melia Sdn. Bhd. ("IMSB")	Rental income	-	(98)
	Recreational services	-	(18)
(k) Sunway College Sdn. Bhd. Group ("SCSB Group")	Conference and seminar	1	-
	Rental income	(10,328)	(10,322)
	Recreational services	(16)	(13)
	Hotel and related services	(205)	(320)
	Ticketing and tour sales	(651)	(538)
	Medical services	(302)	(256)

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 41. RELATED PARTY TRANSACTIONS (CONTD.)

Name of Companies	Nature of Transactions	Group	
		2003 RM'000	2002 RM'000
(l) Asian Strategy & Leadership Incorporated Sdn. Bhd. ("ASLI")	Conference and seminar	1	4
	Ticketing and tour sales	(57)	(68)
	Medical services	(9)	(2)
	Recreational services	(1)	-
	Rental income	(1)	-
(m) Sunway Hydraulic Industries Sdn. Bhd. ("SHISB")	Ticketing and tour sales	(2)	(16)
	Medical services	(5)	(3)
	Hotel and related services	(1)	-
(n) Dekon Sdn. Bhd. Group ("DSB")	Construction costs	63,867	11,746
	Landscaping services	1,118	928
	Hotel and related services	(2)	(3)
	Ticketing and tour sales	(2)	(3)
	Medical services	(16)	(12)
	Recreational services	(1)	-
	Rental income	(29)	-
(o) Akitek Akiprima Sdn. Bhd. ("AASB")	Architectural consultancy	798	321
(p) PRK Builders Sdn. Bhd. ("PRK")	Construction cost	47,686	-
	Hotel and related services	(5)	-
	Ticketing and tour sales	(38)	-
	Medical services	(33)	-
	Rental income	(337)	-
(q) Jef-San Enterprise Sdn. Bhd. ("Jef-San")	Rental of properties	264	300
	Ticketing and tour sales	(1)	-

The above parties are deemed related to the Group as follows:

- Suninc Group is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's common directorship and interests in Suninc Group and the Company.
- Buildtrend Group is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in Buildtrend Group and interest in the Company.
- KTM Group is deemed related to the Group by virtue of its substantial shareholding in Sunway Tunas Sdn. Bhd., a 70% owned subsidiary of the Company.
- STSB Group is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in STSB Group and interest in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih, being the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively also have deemed interests in STSB Group.
- PKNS Group is deemed related to the Group by virtue of its substantial shareholdings in the Company and Sunway Damansara Sdn. Bhd, a 60% owned subsidiary of the Company.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 41. RELATED PARTY TRANSACTIONS (CONTD.)

- (f) PISB Group is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's and Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng's deemed interests in PISB Group via Sungei Way Corporation Sdn. Bhd. where they have more than 15% shareholdings. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng is the spouse of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling.
- (g) SWESB is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in SWESB and interest in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih, being the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively also have deemed interests in SWESB.
- (h) Adasia is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in Adasia and interest in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih, being the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively also have deemed interests in Adasia.
- (i) CCM is deemed related to the Group by virtue of Dato' Lim Say Chong's and Oh Kim Sun's deemed interests in CCM and direct interests in Sunway Lagoon Sdn. Bhd., a 51% owned subsidiary of the Company.
- (j) IMSB is deemed related to the Group by virtue of Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng's and Sarena Cheah Yean Tih's directorships and substantial shareholdings in IMSB. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih are the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively.
- (k) SCSB Group is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's and Datuk Razman M Hashim's common directorships and deemed interests in SCSB Group via Sunway College Trust and interests in the Company.
- (l) ASLI is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's direct and deemed interests in ASLI as well as interest in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng who is the spouse of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling also has deemed interest in ASLI.
- (m) SHISB is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in SHISB and interest in the Company as well as Datuk Razman M Hashim's common directorship and interests in SHISB and the Company. Sarena Cheah Yean Tih, being the child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling also has deemed interest in SHISB.
- (n) DSB Group is deemed related to the Group by virtue of Datuk Razman M Hashim's deemed interest in DSB and interest in the Company.
- (o) AASB is deemed related to the Group by virtue of Cheah Teik Jin's directorship and substantial shareholding in AASB. Cheah Teik Jin is the brother of Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng who is the spouse of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling.
- (p) PRK is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in PRK via Sungei Way Corporation Sdn. Bhd. where he has more than 15% shareholding, and his interest in the Company.
- (q) Jef-San is deemed related to the Group by virtue of Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng's and Sarena Cheah Yean Tih's directorships and substantial shareholdings in Jef-San. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih are the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively.

These transactions were undertaken at mutually agreed terms between the companies in the normal course of business and were established on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 42. CAPITAL COMMITMENTS

	Group	
	2003	2002
	RM'000	RM'000
Capital expenditure		
- contracted but not provided for	124,209	95,847
- approved but not contracted for	-	4,392
	124,209	100,239
	124,209	100,239

## 43. LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Less than one year	47,674	47,674	46,800	46,800
Between one and five years	143,021	190,695	140,399	187,199
	190,695	238,369	187,199	233,999
	190,695	238,369	187,199	233,999

The lease arrangements were entered into in connection with the asset-backed securitisation exercise as disclosed in Note 11 to the financial statements.

The leased properties have been subleased by the Company to certain subsidiary companies. One of the subsidiary companies in turn subleased the leased property to Sunway College Sdn. Bhd. Group, a related party. The relationship between the Group and the related party is as disclosed in Note 41 to the financial statements. Sublease income of the Group and of the Company of RM10,260,000 and RM46,800,000 respectively is expected to be received during the next financial year.

## 44. CONTINGENT LIABILITIES

	Company	
	2003	2002
	RM'000	RM'000
Guarantees given to licensed financial institutions for banking facilities granted to subsidiary companies	71,443	78,470
	71,443	78,470
	71,443	78,470

All the above contingent liabilities are unsecured.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 45. SUBSIDIARY AND ASSOCIATED COMPANIES

Details of the subsidiary and associated companies are listed below:

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2003 %	2002 %
<b>(a) Subsidiaries of Sunway City Berhad</b>				
Bintutara Sdn. Bhd.	Malaysia	Property development and investment holding	100	100
Sunway Kinrara Sdn. Bhd.	Malaysia	Property development	100	100
Sunway Hotel (Penang) Sdn. Bhd.	Malaysia	Hotel business	100	100
Syarikat Shoib Properties Sdn. Bhd.	Malaysia	Property development and investment holding	100	100
Sunway City (Penang) Sdn. Bhd.	Malaysia	Property development and investment holding	75	75
Sunway Pyramid Sdn. Bhd.	Malaysia	Shopping mall operator	52	52
Sunway Lagoon Sdn. Bhd.	Malaysia	Theme park operator	51	51
Sunway Resort Hotel Sdn. Bhd.	Malaysia	Hotel business	100	100
Sunway Lagoon Club Berhad	Malaysia	Recreational club facilities	83.6	83.6
Sunway Travel Sdn. Bhd.	Malaysia	Travel and tour agent	87	87
Sunway City (Ipoh) Sdn. Bhd.	Malaysia	Property development and investment holding	65	65
Sunway Damansara Sdn. Bhd.	Malaysia	Property development and investment holding	60	60

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 45. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2003 %	2002 %
<b>(a) Subsidiaries of Sunway City Berhad (Contd.)</b>				
* Allson International Holdings Limited	British Virgin Islands	Hotel management	100	100
Ekuiti Meranti (M) Sdn. Bhd.	Malaysia	Investment holding	100	100
Sunway Monorail Sdn. Bhd.	Malaysia	Monorail operator	100	100
Grandeal Trading Co. Sdn. Bhd.	Malaysia	Property development	100	100
Pembinaan Objektif (M) Sdn. Bhd.	Malaysia	Investment holding	100	100
Konsep Objektif (M) Sdn. Bhd.	Malaysia	Investment holding	70	70
Suncity SSC Sdn. Bhd.	Malaysia	Provision of shared services	100	100
Sunway City (Cambodia) Sdn. Bhd.	Malaysia	Investment holding	76	76
Sunway Semenyih Sdn. Bhd.	Malaysia	Property development	70	70
Sunway Tunas Sdn. Bhd.	Malaysia	Property development	70	70
TAH Properties Sdn. Bhd.	Malaysia	Dormant	70	70
Sunway Medical Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
Area Star Sdn. Bhd.	Malaysia	Dormant	100	100
Falcrest Sdn. Bhd.	Malaysia	Dormant	70	70
# Sunway City (S'pore) Pte. Ltd.	Singapore	Promotion and marketing services	100	100
Sunway Resort Hotel Land Sdn. Bhd.	Malaysia	Dormant	100	100

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 45. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2003 %	2002 %
<b>(a) Subsidiaries of Sunway City Berhad (Contd.)</b>				
Stellar Destiny Sdn. Bhd.	Malaysia	Management and letting of property	100	100
Sunway Facilities Management Sdn. Bhd. (formerly known as Strategic Domain Sdn. Bhd.)	Malaysia	Dormant	100	100
SLR Facilities Management Sdn. Bhd. (formerly known as Sun Event Management Sdn. Bhd.)	Malaysia	Dormant	100	100
Emerald Tycoon Sdn. Bhd.	Malaysia	Investment holding	100	100
Casa Mujur Sdn. Bhd	Malaysia	Dormant	100	–
Sunway Bukit Gambier Sdn. Bhd. (formerly known as Casa Fareast Sdn. Bhd.)	Malaysia	Property development	100	–
Menara Sunway Sdn. Bhd.	Malaysia	Management and letting of property	100	–
<b>(b) Subsidiaries of Sunway City (Penang) Sdn. Bhd.</b>				
Fame Parade Sdn. Bhd.	Malaysia	Dormant	100	100
Era Primision Sdn. Bhd.	Malaysia	Dormant	100	100
Commercial Parade Sdn. Bhd.	Malaysia	Dormant	100	100
Sunway Hotel (Seberang Jaya) Sdn. Bhd.	Malaysia	Hotel business	100	100
Lancar Gemilang Sdn. Bhd.	Malaysia	Dormant	100	100
Prime Delight Sdn. Bhd.	Malaysia	Dormant	100	100
Sejati Pesona Sdn. Bhd.	Malaysia	Dormant	100	100

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 45. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2003 %	2002 %
<b>(b) Subsidiaries of Sunway City (Penang) Sdn. Bhd. (Contd.)</b>				
Associated Circle Sdn. Bhd.	Malaysia	Dormant	100	100
Alliance Parade Sdn. Bhd.	Malaysia	Property development	100	100
<b>(c) Subsidiary of Konsep Objektif (M) Sdn. Bhd.</b>				
# Sunway Hotel Phnom Penh Ltd	Cambodia	Hotel business	75	75
<b>(d) Subsidiary of Sunway Pyramid Sdn. Bhd.</b>				
Sunway Parking Management Sdn. Bhd.	Malaysia	Car park operator	100	100
<b>(e) Subsidiary of Syarikat Shoib Properties Sdn. Bhd.</b>				
Pena Enterprise Sdn. Bhd.	Malaysia	Property development	100	100
<b>(f) Subsidiaries of Sunway Lagoon Sdn. Bhd.</b>				
Sunway Arena Entertainment Sdn. Bhd.	Malaysia	Dormant	55	55
Eastern Glory Enterprises Ltd.	British Virgin Islands	Investment holding	60	60
Commercial Highlight Sdn. Bhd.	Malaysia	Dormant	55	55
Sunway Townhouse Sdn. Bhd.	Malaysia	Property development	100	100
Digital Splendour Sdn. Bhd.	Malaysia	Dormant	100	100
Esteem Crest Sdn. Bhd.	Malaysia	Dormant	100	100
Lambang Mujur Sdn. Bhd.	Malaysia	Dormant	100	100

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 45. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2003 %	2002 %
<b>(f) Subsidiaries of Sunway Lagoon Sdn. Bhd. (Contd.)</b>				
Lavender Acres Sdn. Bhd.	Malaysia	Dormant	100	100
Lestari Ganda Sdn. Bhd.	Malaysia	Dormant	100	100
Logic Square Sdn. Bhd.	Malaysia	Dormant	100	100
Perpetual Summer Sdn. Bhd.	Malaysia	Dormant	100	100
Platinum Success Sdn. Bhd.	Malaysia	Dormant	100	100
Splendid Crest Sdn. Bhd.	Malaysia	Dormant	100	100
Zenith Gateway Sdn. Bhd.	Malaysia	Dormant	100	100
<b>(g) Subsidiaries of Allson International Holdings Limited</b>				
* Allson International Hotels & Resorts (H.K.) Limited	Hong Kong	Hotel management	99.9	99.9
* Allson International Hotels & Resorts (B.V.I.) Limited	British Virgin Islands	Hotel management	100	100
* Allson International Management Limited	British Virgin Islands	Hotel management	100	100
Allson Hotels and Resorts Management Sdn. Bhd. (formerly known as Silk Consolidated Sdn.Bhd.)	Malaysia	Hotel management	100	–
<b>(h) Subsidiaries of Emerald Tycoon Sdn. Bhd.</b>				
Sunway Rahman Putra Sdn. Bhd.	Malaysia	Property development	100	100
Sunway D'Mont Kiara Sdn. Bhd.	Malaysia	Property development	70	70

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 45. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2003 %	2002 %
<b>(i) Subsidiaries of Sunway Medical Holdings Sdn. Bhd.</b>				
Sunway Medical Centre Berhad	Malaysia	Operator of a medical centre	<b>60.8</b>	60.8
Sunway Gamma Knife Centre (Malaysia) Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
<b>(j) Subsidiary of Sunway City (Cambodia) Sdn. Bhd.</b>				
Sunway City Cambodia Limited	Cambodia	Dormant	<b>80</b>	80
<b>(k) Subsidiaries of Sunway City (Ipoh) Sdn. Bhd.</b>				
Kinta Sunway Resort Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
Sunway Realty (Penang) Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
Sunway Lagoon Water Park Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
Lagoon Fantasy Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
Semangat Kancil (M) Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
Ganda Antik Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
Bandar Sunway (Melaka) Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
Permata Aktiviti (M) Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
Lagoon Café Sdn. Bhd	Malaysia	Dormant	<b>100</b>	100
Objektif Ekuiti (M) Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100
Peluang Klasik (M) Sdn. Bhd.	Malaysia	Dormant	<b>100</b>	100

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 45. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2003 %	2002 %
<b>(l) Subsidiaries of Sunway Damansara Sdn. Bhd.</b>				
Imbasan Intisari Sdn. Bhd.	Malaysia	Dormant	100	100
Tidal Elegance Sdn. Bhd.	Malaysia	Dormant	100	100
Park Symphony Sdn. Bhd.	Malaysia	Dormant	100	100
Pan Unicreation Sdn. Bhd.	Malaysia	Dormant	100	100
Winning Excellence Sdn. Bhd.	Malaysia	Dormant	100	100
Laudable Generations Sdn. Bhd.	Malaysia	Dormant	100	100
Contemporary Deal Sdn. Bhd.	Malaysia	Dormant	100	100
Contemporary Factor Sdn. Bhd.	Malaysia	Dormant	100	100
Petikan Tropika Sdn. Bhd.	Malaysia	Dormant	100	100
Cahaya Jejaka Sdn. Bhd.	Malaysia	Dormant	100	100
Seruan Istilah Sdn. Bhd.	Malaysia	Dormant	100	100
Sumber Dorongan Sdn. Bhd.	Malaysia	Dormant	100	100
Anggaran Salju Sdn. Bhd.	Malaysia	Dormant	100	100
Bisikan Seni Sdn. Bhd.	Malaysia	Dormant	100	100
Emerald Freight Sdn. Bhd.	Malaysia	Dormant	100	100
Sunway Monterez Sdn. Bhd.	Malaysia	Property development	100	100
<b>(m) Subsidiary of Menara Sunway Sdn. Bhd.</b>				
MSW Parking Sdn. Bhd.	Malaysia	Car park management	100	–

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 45. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2003 %	2002 %
<b>(n) Subsidiaries of Eastern Glory Enterprises Limited</b>				
Estonia Enterprises Limited	British Virgin Islands	Investment holding	100	100
* Hartford Lane Pty. Limited	Australia	Trustee	100	100
<b>(o) Subsidiaries of Estonia Enterprises Limited</b>				
* International Theme Park Pty. Ltd.	Australia	Theme park operator	100	100
* Sunway Australia Unit Trust	Australia	Unit trust	100	100
<b>(p) Subsidiary of International Theme Park Pty. Ltd.</b>				
* Sydney Theme Park Pty. Ltd.	Australia	Theme park licence holder	100	100
<b>(q) Associated company of Sunway Damansara Sdn. Bhd.</b>				
Sunway D'Mont Kiara Sdn. Bhd.	Malaysia	Property development	30	30
<b>(r) Associated company of Sunway Travel Sdn. Bhd.</b>				
# OSC First Holidays Co. Ltd.	Socialist Republic of Vietnam	Tour and tour agent	20	20

# Subsidiary and associated companies not audited by Ernst & Young

\* Subsidiary companies audited by another member firm of Ernst & Young Global

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 45. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2003 %	2002 %
<b>(s) Associated companies of Sunway City Berhad</b>				
# Menara Sunway Sdn. Bhd.	Malaysia	Management and letting of property	–	49
Sistem Penyuraian Trafik Kotaraya Sdn. Bhd.	Malaysia	Dormant	–	50
Aktif-Sunway Sdn. Bhd.	Malaysia	Retailer	<b>20</b>	20
<b>(t) Associated companies of Sunway Lagoon Sdn. Bhd.</b>				
Sunway Sayang Restaurant Sdn. Bhd.	Malaysia	Dormant	<b>50</b>	50
Shochiku Sunway Lagoon Sdn. Bhd.	Malaysia	Dormant	<b>50</b>	50
# Pyramid Bowl Sdn. Bhd.	Malaysia	Bowling alley operator	<b>40</b>	40
# Associated company not audited by Ernst & Young.				

## 46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

### Completed Events

#### (a) Proposed New ESOS

On 26 August 2003, the Company completed the termination of the existing employees' share option scheme ("Existing ESOS") which was scheduled to expire on 22 December 2004 ("Termination"). Pursuant to the Termination, the Company established a new ESOS ("New ESOS") that reflects the Revised Guidelines for the benefit of eligible Executive Directors and employees of the Group and of the Company based on the prevailing market price of the Company's ordinary shares of RM1.00 each. Shareholders' approval for the New ESOS was obtained on 26 August 2003. The principal features of the New ESOS are as follows:

- (i) The total number of new shares to be offered pursuant to the New ESOS shall not exceed 10% of the issued and paid-up share capital of the Company (or such other higher percentage as may be permitted by the relevant regulatory authorities, from time to time) at the time of the offer of options under the New ESOS.
- (ii) Only eligible Executive Directors and employees of the Company and of the Group will be eligible to participate in the New ESOS.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTD.)

### Completed Events (Contd.)

#### (a) Proposed New ESOS (Contd.)

(iii) The price payable upon exercise of an option granted under the New ESOS will be based on the five-day weighted average market price of the Company's shares at the time the offer is granted with a discount of not more than 10% if deemed appropriate or the par value of the Company's shares, whichever is higher.

(iv) The duration of the New ESOS will be ten (10) years from the date of its commencement.

The Termination and establishment of the New ESOS did not have any material financial impact on the Group.

#### (b) Acquisition of remaining equity interest in Menara Sunway Sdn. Bhd.

On 28 January 2003, the Company entered into a conditional sale and purchase agreement with Sunway Holdings Incorporated Berhad ("Suninc"), a related party by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's common directorship and interests in Suninc and the Company, for the acquisition of 17,075,100 ordinary shares of RM1.00 each representing the remaining 51% equity interest, for which the Company had not already owned, in MSSB Group from Suninc for a cash consideration of RM20,000,000 and amount payable to Suninc of RM7,839,000.

Shareholders' approval for the above acquisition was obtained on 26 June 2003 and the acquisition was completed on 8 July 2003.

## 47. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

### Event Pending Completion

#### Closure of Wonderland Sydney Theme Park, Australia and proposed disposal of its property

On 16 February 2004, the Company announced that International Theme Park Pty. Ltd. ("ITP"), a company incorporated in Australia and the operator of Wonderland Sydney in Australia will be closing its theme park operation by middle of 2004 as part of the Group's overall rationalization exercise to exit from non-performing business units.

ITP is a wholly-owned subsidiary of Estonia Enterprises Ltd. ("Estonia") which in turn is a wholly-owned subsidiary of Eastern Glory Enterprises Ltd. ("Eastern Glory"). Eastern Glory is a 60% owned subsidiary of Sunway Lagoon Sdn. Bhd. which in turn is a 51% owned subsidiary of the Company. Both Eastern Glory and Estonia are companies incorporated in the British Virgin Islands.

Hartford Lane Pty. Ltd. ("Hartford"), a company incorporated in Australia, had on 12 February 2004 entered into a Put and Call Option Deed (which is governed by the laws of New South Wales, Australia) with Paclib Industrial No. 5 Pty. Limited ("PIPL"), a company incorporated in Australia, to dispose the property known as Wonderland Sydney, Wallgrove Road, Eastern Creek, New South Wales ("the Property") to PIPL for a total consideration of AUD52.5 million, excluding Goods and Services Tax ("the Proposed Disposal").

Hartford is a wholly-owned subsidiary of Eastern Glory, and being the Trustee of Sunway Australia Unit Trust ("SAUT"), is the registered owner of the Property. All the ordinary shares issued by SAUT are held by Estonia.

The Property consists of a piece of land measuring 58.87 hectares (Lot 11, Plan 1025320) and buildings, structures and theme park rides thereon.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 47. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE (CONTD.)

### Event Pending Completion (Contd.)

#### Closure of Wonderland Sydney Theme Park, Australia and proposed disposal of its property (Contd.)

In consideration of a Call Option fee of AUD1.00 and the payment of the security amount of AUD10 million ("Security Amount"), Hartford has granted PIPL or its nominee a call option to purchase the Property on the terms to be set out in the contract for the sale of the Property ("Contract of Sale"). The Call Option period commences three (3) months from the date of the Option Deed and ends on 9 December 2004.

In consideration of the payment of a Put Option fee of AUD1.00, PIPL has also granted Hartford a Put Option to require PIPL to purchase the Property on the terms to be set out in the Contract of Sale. The Put Option period commences on 10 December 2004 and ends on 23 December 2004.

If neither the Call Option nor the Put Option is exercised, the Security Amount will be fully forfeited by Hartford.

If either option is exercised, the completion date for the Contract of Sale is set on 24 January 2005.

## 48. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts as the Group had no substantial long term interest-bearing assets as at 31 December 2003 except for the Other Non-Current Investments which bear interest at a fixed rate. The investments in other financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits and in current accounts. The deposits with licensed banks as at 31 December 2003, which comprise deposits on call, bear interests at 2.71% to 3.50% (2002: 2.71% to 4.00%) per annum.

The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against interest rate hikes.

The information on effective interest rates of financial liabilities are disclosed in their respective notes in the financial statements.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 48. FINANCIAL INSTRUMENTS (CONTD.)

### (b) Interest Rate Risk (Contd.)

The carrying amounts of financial instruments as at 31 December exposed to interest rate risks are analysed as follows:

At 31 December 2003:

Group	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
<b>Financial Assets</b>				
Other non-current investments	466,203	–	466,203	–
Trade receivables	2,902	2,902	–	–
Other receivables	523	523	–	–
Deposits with licensed banks	11,904	11,904	–	–
Cash and bank balances	128,297	128,297	–	–
<b>Financial Liabilities</b>				
Trade payables	3,797	3,797	–	–
Other payables	7,839	7,839	–	–
Amounts due to contractors and consultants	121,901	81,901	40,000	–
Bank overdrafts	6,906	6,906	–	–
Trade bills	7,153	7,153	–	–
Term loans	143,866	43,034	92,551	8,281
Revolving credits	136,400	–	–	136,400
Commercial papers	69,447	–	–	69,447
Medium term notes	153,823	–	–	153,823
<b>Company</b>				
<b>Financial Assets</b>				
Amounts due from subsidiary companies	754,412	754,412	–	–
Trade receivables	338	338	–	–
Other receivables	158	158	–	–
Cash and bank balances	23,615	23,615	–	–
<b>Financial Liabilities</b>				
Trade payables	772	772	–	–
Other payables	7,839	7,839	–	–
Amounts due to contractors and consultants	11,275	11,275	–	–
Term loans	21,857	21,857	–	–
Revolving credits	136,400	–	–	136,400
Commercial papers	69,447	–	–	69,447
Medium term notes	153,823	–	–	153,823
Amounts due to subsidiary companies	56,967	56,967	–	–

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 48. FINANCIAL INSTRUMENTS (CONTD.)

### (b) Interest Rate Risk (Contd.)

At 31 December 2002:

	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
<b>Group</b>				
<b>Financial Assets</b>				
Other non-current investments	392,840	–	–	392,840
Trade receivables	343	343	–	–
Other receivables	523	523	–	–
Deposits with licensed banks	73,393	73,393	–	–
Cash and bank balances	112,858	112,858	–	–
<b>Financial Liabilities</b>				
Trade payables	12,180	12,180	–	–
Amounts due to contractors and consultants	141,243	69,243	72,000	–
Bank overdrafts	6,160	6,160	–	–
Trade bills	4,933	4,933	–	–
Term loans	121,523	34,354	74,488	12,681
Revolving credits	173,900	–	–	173,900
Commercial papers	79,367	–	–	79,367
<b>Company</b>				
<b>Financial Assets</b>				
Amounts due from subsidiary companies	681,338	681,338	–	–
Trade receivables	338	338	–	–
Other receivables	158	158	–	–
Cash and bank balances	13,187	13,187	–	–
<b>Financial Liabilities</b>				
Trade payables	10,193	10,193	–	–
Amounts due to contractors and consultants	25,294	–	25,294	–
Bank overdrafts	654	654	–	–
Term loans	49,600	18,600	31,000	–
Revolving credits	173,900	–	–	173,900
Commercial papers	79,367	–	–	79,367
Amounts due to subsidiary companies	34,365	34,365	–	–

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 48. FINANCIAL INSTRUMENTS (CONTD.)

### (c) Foreign Exchange Risk

The Group is not significantly exposed to foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia except for foreign exchange risks arising from countries in which certain foreign subsidiary companies operate. The currencies giving rise to this risk are primarily Australian Dollar and United States Dollar.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

### (d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

### (e) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

### (f) Fair Values

The aggregate fair values of financial assets and financial liabilities carried on the balance sheet of the Group are as follows:

	Carrying Amount		Group Fair Value	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<b>Financial Assets</b>				
Other Non-Current Investments				
- Subordinated Class D Notes	<b>466,203</b>	392,840	<b>466,203</b>	392,840
<b>Financial Liabilities</b>				
Refundable deposits				
- long term portion	<b>16,061</b>	7,941	<b>10,553</b>	6,640
Other long term liabilities	-	8,500	-	7,657

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 48. FINANCIAL INSTRUMENTS (CONTD.)

### (f) Fair Values (Contd.)

The fair value of the Subordinated Class D Notes has been determined by the fair value of the assets held by ABS Real Estate Berhad less the principal amount of the Senior Notes in connection with the ABS exercise as disclosed in Note 11 to the financial statements.

The fair values of refundable deposits and other long term liabilities are estimated using discounted cash flow analysis based on current incremental lending rates offered to the Group.

The carrying value of the borrowings of the Group and of the Company, all of which are variable rate borrowings, is considered to be a reasonable estimate of the fair value as the borrowings will be repriced immediately in the event of any changes to the market interest rates.

The carrying value of the CPs and MTNs of the Group and of the Company which are variable rate borrowings, is considered to be a reasonable estimate of the fair value as the CPs and MTNs will be repriced immediately upon maturity and their interest rates approximate those financial instruments of similar risk profile.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and other short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It is not practical to determine the fair values of:

- (i) amounts due from/to subsidiary, associated companies and jointly controlled entity, advances by minority shareholders and amounts due to contractors due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.
- (ii) preference shares issued by a subsidiary company because of a lack of available market information in respect of similar financing arrangement and the inability to estimate fair value without incurring excessive costs.

The fair values of all other financial assets and liabilities of the Group and the Company as at 31 December are not materially different from their carrying values.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 49. SEGMENT INFORMATION

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

### (a) Business Segments

The Group is organised on a worldwide basis into five major business segments:

- (i) Property development - development of residential and commercial properties;
- (ii) Property investment - management and operation of shopping mall and letting of property;
- (iii) Leisure - operation of themeparks, rendering recreational club facilities and travel agent;
- (iv) Hospitality - management and operations of hotels; and
- (v) Healthcare - management and operation of a medical centre.

The Directors are of the opinion that all inter-segment transactions were entered into in the normal course of business and were established on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 49. SEGMENT INFORMATION (Cont'd)

### (a) Business Segment (Cont'd)

	Property Development		Property Investment		Leisure		Hospitality		Healthcare		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>														
External sales	367,060	321,667	98,256	81,402	109,799	111,789	100,362	99,270	53,163	45,300	-	-	728,640	659,428
Inter-segment sales	1,247	502	43,634	8,407	626	-	2,303	2,461	-	109	(47,810)	(11,479)	-	-
<b>Total revenue</b>	<b>368,307</b>	<b>322,169</b>	<b>141,890</b>	<b>89,809</b>	<b>110,425</b>	<b>111,789</b>	<b>102,665</b>	<b>101,731</b>	<b>53,163</b>	<b>45,409</b>	<b>(47,810)</b>	<b>(11,479)</b>	<b>728,640</b>	<b>659,428</b>
<b>Results</b>														
Operating segment results	82,816	102,001	43,599	41,461	(20,059)	(12,466)	(3,124)	14,275	608	(1,159)	(2,708)	(1,733)	101,132	142,379
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(57,055)	(52,391)
Share of results of associated companies	-	(1)	(374)	23,576	53	(1,031)	-	-	-	-	-	-	(321)	22,544
Share of results of jointly controlled entity	(36)	-	-	-	-	-	-	-	-	-	-	-	(36)	-
Results arising from other investing activities	5,397	48	(2)	95,992	37,972	(34,570)	-	(17,458)	47	-	-	-	43,414	44,012
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	(35,440)	(27,244)
Profit after taxation													71,694	129,300
Minority interests													(46,214)	(10,860)
Net profit for the year													25,480	118,440

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 49. SEGMENT INFORMATION (Cont'd)

### (a) Business Segment (Cont'd)

	Property Development		Property Investment		Leisure		Hospitality		Healthcare		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS AND LIABILITIES														
Segment assets	903,819	750,736	703,451	724,305	281,588	154,050	448,283	380,014	77,787	77,824	(138,578)	(55,707)	2,276,350	2,031,222
Investments in associated companies	-	475	-	33,499	1,597	1,486	-	-	-	-	-	-	1,597	35,460
Investment in jointly controlled entity	10,836	-	-	-	-	-	-	-	-	-	-	-	10,836	-
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	-	-	8,244	17,162
Consolidated total assets													<u>2,297,027</u>	<u>2,083,844</u>
Segment liabilities	490,530	356,600	101,405	120,704	163,410	136,350	452,556	414,806	43,778	37,791	(924,455)	(806,960)	327,244	259,291
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	-	917,535	836,331
Consolidated total liabilities													<u>1,244,779</u>	<u>1,095,622</u>
OTHER INFORMATION														
Capital expenditure	8,176	3,200	14,242	8,677	2,914	8,873	31,237	22,549	5,175	2,800	-	-	61,744	46,099
Amortisation/write off of goodwill	-	-	456	456	-	-	961	753	124	99	-	-	1,541	1,308
Depreciation	528	496	11,518	12,752	9,498	16,794	1,838	12,564	7,906	7,058	-	-	31,288	49,664
Impairment losses	-	-	-	17,807	-	56,117	-	-	-	-	-	-	-	73,924
Write-back of impairment losses	-	-	-	-	(38,495)	-	-	-	-	-	-	-	(38,495)	-
Non-cash expenses other than depreciation, amortisation and impairment losses	2,758	11,332	1,072	326	178	954	356	1,734	(608)	1,013	-	-	3,756	15,359

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 49. SEGMENT INFORMATION (CONTD.)

### (b) Geographical Segments

Revenue is attributed to geographic areas based on the location of the assets producing the revenue.

	Malaysia		Asia (excluding Malaysia)		Australia		Consolidated	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Total revenue from external customers	<b>650,865</b>	545,287	<b>11,721</b>	11,076	<b>66,054</b>	103,065	<b>728,640</b>	659,428
Operating segment results	<b>109,117</b>	113,858	<b>881</b>	145	<b>(8,866)</b>	28,376	<b>101,132</b>	142,379
Segment assets	<b>2,108,272</b>	1,877,886	<b>41,647</b>	45,135	<b>126,431</b>	108,201	<b>2,276,350</b>	2,031,222
Capital expenditure	<b>60,388</b>	44,485	<b>142</b>	957	<b>1,214</b>	657	<b>61,744</b>	46,099

# Notes To The Financial Statements

- 31 December 2003 (cont'd)

## 50 COMPARATIVES

- (a) The following comparative figures of the Group and of the Company have been reclassified to conform with current year's presentation:

	Group		Company	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
Land held for development	354,410	354,381	4,581	4,552
Goodwill on consolidation	23,914	24,300	-	-
Properties under development	250,497	250,526	33,302	33,331
Trade receivables	61,801	61,671	-	-
Other receivables	22,977	23,107	-	-
Reserves on consolidation	-	(386)	-	-
Cost of sales	-	-	(26,752)	(18,586)
Other operating expenses	-	-	(12,917)	(21,083)
	713,599	713,599	(1,786)	(1,786)

- (b) Certain comparative figures of the Group have been restated to reflect the effects of the PYA as explained in Note 37 to the financial statements.

	Group		Company	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
Deferred tax assets	12,349	2,889	-	-
Minority interests	253,213	238,494	-	-
Deferred tax liability	5	21,209	-	-
Taxation	(27,244)	(21,383)	-	-
Minority interests	(10,860)	(13,673)	-	-