

## 11. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

蔡坤生特許會計公司  
**K. S. CHUA & CO.**  
 CHARTERED ACCOUNTANTS

**CHUA KON SING** B.Com. (UNSW), F.C.A. (AUST),  
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Date: 18 April 2002

The Board of Directors  
**Country View Berhad**  
 Suite 5.11 & 5.12, 5th Floor,  
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 80000 Johor Bahru,  
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Gentlemen:

### 1. INTRODUCTION

This report has been prepared by K. S. Chua & Co., an approved company auditor for inclusion in the Prospectus of Country View Berhad (referred to hereinafter as "CVB" or "the Company") to be dated 22nd April 2002 in connection with the Public Issue of 15,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.20 per share and the listing of and quotation for its entire enlarged issued and fully paid-up share capital of 100,000,000 ordinary shares of RM1.00 each on the Main Board of Kuala Lumpur Stock Exchange ("KLSE").

### 2. GENERAL INFORMATION

#### 2.1 BACKGROUND

The Company was incorporated on the 23rd of November 1981 in Malaysia under the Companies Act, 1965 as a private limited company under the name of Country View Realty Sdn. Bhd. On 14th March, 2001, the Company changed its name to Country View Sdn Bhd. Subsequently, it was converted to a public company on 25th April 2001 and since then assumed its present name from that date. The company is principally involved in the business of property development, property investment and investment holding.

#### 2.2 SHARE CAPITAL

The authorised share capital of the Company was RM50,000,000 comprising 50,000,000 ordinary share of RM1.00 each. On the 5th April 2001 the authorised capital was increased to RM500,000,000 by the creation of additional 450,000,000 new ordinary shares of RM1.00 each.

The changes in the issued and fully paid-up share capital of the Company since its incorporation are as follows:-

Date of allotment	Number of ordinary shares	Par value RM	Consideration	Total issued and paid up share capital RM
23/11/1981	2	1.00	Cash	2
15/01/1985	1,200,000	1.00	Cash	1,200,002
09/01/1986	4,799,998	1.00	Cash	6,000,000
29/11/2001	79,000,000	1.00	Capitalisation of retained earnings	85,000,000
Public issue	15,000,000	1.00	Cash	100,000,000

## 11. ACCOUNTANTS' REPORT (Cont'd)

Company No. 078320-K

### 2.3 FLOTATION SCHEME

In conjunction with, and as an integral part of the listing and quotation for its entire issued and fully paid-up share capital on the Main Board of the KLSE, CVB had proposed a flotation scheme involving the followings which was approved by the relevant authorities:-

#### a) BONUS ISSUE

A bonus issue of 79,000,000 new ordinary shares of RM1.00 each at par in the capital of the Company to its existing shareholders via the capitalisation of unappropriated profits amounting to RM79,000,000. This was completed on the 29th November 2001.

#### b) PUBLIC ISSUE

The Company is to make a public issue of 15,000,000 new CVB ordinary shares of RM1.00 each at an issue price of RM1.20 per share out of which 4,500,000 ordinary shares are for the bumiputera investors approved by Ministry of International Trade and Industry ("MITI") representing 4.5% of the enlarged share capital and the remaining 10,500,000 ordinary shares to the employees, directors and business associates of CVB Group and the general public representing 10.5% of the enlarged share capital ("Proposed Public Issue").

### 3. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY

Details of the subsidiaries and associated company of the Company, all of which are incorporated in Malaysia, at the date of this report, are as follows :-

#### Subsidiaries:-

Name	Date of incorporation	Issued and paid-up share capital RM	Par value RM	Effective equity interest %	Principal activities
Country View Properties Sdn Bhd (CVP)	24/05/1996	2	1.00	100	Property development
Country View Equities Sdn Bhd (CVE)	26/08/1997	2	1.00	100	Property development
Country View Ventures Sdn Bhd (CVV)	26/08/1997	2	1.00	100	Investment holding
Country View Land Sdn Bhd (CVL)	03/08/1999	300,000	1.00	100	Property development
Country View Resources Sdn Bhd (CVR)	17/08/2000	300,000	1.00	100	Property development
Country View Construction Sdn Bhd (CVC)	12/09/2000	2	1.00	100	Contractor

#### Associated company of CVV :-

Name	Date of incorporation	Issued and paid-up share capital RM	Par value RM	Effective equity interest %	Principal activities
Optima Bestari Sdn Bhd (OBSB)	06/07/1999	2,500,000	1.00	24	Intended for property development

### 4. ACCOUNTS AND AUDITORS

#### 4.1 Accounts and auditors

We have acted as auditors for all the years to 30th November 2001 for CVB and all its subsidiary companies except OBSB and CVP. The accounts of OBSB for the period under review was audited by other firm of accountants. In the case of CVP, we have acted as auditors for all the years under review except for the period from 24th May 1996 (date of incorporation) to 30th November 1996.

The audit reports of the respective companies for the relevant financial years/period were not subject to any qualification.

#### 4.2 Accounting policies and standards

This report is prepared on bases and accounting principles consistent with those previously adopted in the preparation of the accounts of the Company and its subsidiaries.

This report is also prepared based on applicable approved accounting standards adopted by the Malaysian Accounting Standards Board.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**5. SUMMARISED INCOME STATEMENTS****5.1 SUMMARISED PROFORMA CONSOLIDATED RESULTS OF THE CVB GROUP**

The summarised proforma consolidated results of the CVB Group for the past five (5) years ended 30th November 2001 have been prepared for illustrative purposes only after making such adjustments that we considered necessary and assuming that the present CVB Group structure had been in existence throughout those years under review.

	←----- Year ended 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	80,940	40,396	33,507	26,771	36,022
Gross profit	42,985	17,108	17,997	18,550	24,465
Profit before depreciation, interest, exceptional items and taxation etc.	38,526	13,635	14,269	15,357	19,960
Depreciation	(336)	(346)	(179)	(189)	(321)
Exceptional items	150	-	14	1,448	(29)
Interest expense	(48)	(36)	-	-	(258)
Interest income from bank deposits	3,195	4,297	1,698	968	76
Interest from other loan	-	-	-	80	-
Late payments interest from buyers	738	146	28	27	117
Other operating income	489	968	715	533	1,051
Share of losses of an associated company	-	-	-	(57)	(86)
Profit before taxation and extraordinary item	42,714	18,664	16,545	18,167	20,510
Taxation (as adjusted)	(11,989)	(5,275)	25	(5,125)	(5,893)
Profit after taxation but before extraordinary item	30,725	13,389	16,570	13,042	14,617
Extraordinary item (Note xii)	-	-	-	-	(116)
Profit after taxation and extraordinary item	<u>30,725</u>	<u>13,389</u>	<u>16,570</u>	<u>13,042</u>	<u>14,501</u>
Number of ordinary shares of RM1.00 each at end of financial year ('000)	6,000	6,000	6,000	6,000	85,000
Gross earnings per share ("EPS") before Public Issue (RM)	7.12	3.11	2.76	3.03	0.24
Net earnings per share ("EPS") before Public Issue (RM)	5.12	2.23	2.76	2.17	0.17
Gross EPS after Public Issue (RM)	0.43	0.19	0.17	0.18	0.21
Net EPS after Public Issue (RM)	0.31	0.13	0.17	0.13	0.15
Effective tax rate	28.07%	28.26%	-0.15%	28.21%	28.73%
Gross dividend rate	476.00%	256.00%	0.00%	75.34%	27.35%

**NOTES:-**

- i) The results of Country View Management Sdn Bhd ("CVM"), a wholly owned subsidiary which was disposed of on 31st January 2001 have been excluded from all the years under review.
- ii) The number of shares was increased from 6,000,000 to 85,000,000 in year 2001 by way of bonus issue of 79,000,000 ordinary shares.
- iii) The EPSs are based on profit before/after tax and before extraordinary item. The gross and net EPS after Public Issue are based on the enlarged issued and paid up share capital of RM100,000,000.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

iv) All the dividends in year 2000 and 25% of the dividends in 2001 are tax exempted.

v) The turnover figures are arrived at as below:-

	←----- Year ended 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
As per audited accounts	85,536	45,927	36,229	27,228	36,105
Less: Income other than from housing development:-					
Interest income from bank deposits	(3,195)	(4,297)	(1,698)	*	*
Late payments interest from buyers	(738)	(146)	(28) #	*	*
Profit from disposal of fixed assets	(150)	-	(14)	*	*
Other operating income	(500)	(968)	(715)	*	*
	<u>80,953</u>	<u>40,516</u>	<u>33,774</u>	<u>27,228</u>	<u>36,105</u>
Less: Income of a subsidiary disposed of (CVM)	(13)	(120)	(267)	(457)	(83)
Turnover from property development <sup>@</sup>	<u>80,940</u>	<u>40,396</u>	<u>33,507</u>	<u>26,771</u>	<u>36,022</u>

\* In year 2000 and 2001, these were grouped under other operating income in the Statutory audited accounts which were excluded from the revenue figures.

# This figure differs from the RM30,000 shown in the audited accounts by RM2,000 (being interest from owners of apartments) which is included in the RM267,000 shown above. In year 2000, an amount of late payments interest of RM12,000 is included in the RM457,000 shown above.

@ Turnover comprises sales value of completed houses and buildings and proportionate sales value of houses and buildings under construction which have been sold according to percentage of completion.

vi) Turnover

CVB Group adopted the percentage completion method of accounting. Generally, it is the characteristics of housing development business that as projects nearing completion, turnover gradually decreases. Hence the declining trend in the turnover over the past four years from 1997 to 2000.

Turnover in each of the years from 1997 to 2000 drops by about 4%, 50%, 17% and 20% respectively when compared with that of the preceeding year. These decreases could be attributed to the completion of billings on the earlier phases of houses sold. Another factor for the more severe drop in turnover in 1998 was the unfavourable economic conditions and higher interest rates prevailing then.

Compared with the year 2000, the turnover in year 2001 increases by about 35%. This is mainly due to sales of development land and completed double storey shop-offices and the launching of on-going development properties in Taman Universiti during the year. Of the 2001 turnover, RM13 million is from sales of development land and completed development properties to companies owned/controlled by certain directors/shareholders. Of this RM13 million, RM12.804 million was sold as a transfer from CVB to one of these companies which in turn sold 51 bungalow land to CVB for RM12.805 million.

vii) Pretax profits

Pretax profit in 1998 dropped by about 56% inspite of the increase of about RM0.989 million on income from other than sales of houses and a decrease of about RM1 million in operating and administrative expenses. This is partly because of the drop of 50% in turnover and partly due to the decreases in billings for products of higher gross margins such as shopoffices, single and double storey terrace houses in that year.

In 1999, pretax profit dropped by about 11% compared with the previous year. The main reason is the sharp drop of about RM2.9 million in interest and other income.

In year 2000, pretax profit increased by 9.8% to RM18.167 million due to higher gross margin from billings on shopoffices sold, lower operating and administrative expenses (by RM0.5 million) and the write back of RM1.45 million in unclaimed late delivery interest.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

The pretax profit in year 2001 increases by about 12.9% when compared that of year 2000. This is inspite of the decrease in interest income of RM0.89 million and the absence in 2001 of the approximately RM1.45 million of the exceptional items of year 2000. The higher pre-tax profit is due mainly to the sales of development land and double storey shopoffices from completed development properties as well as from the launching of on-going development properties in Taman Universiti. Higher other operating income in year 2001 due to sales of rubberwood by CVL from land clearing also contribute to the higher pre-tax profit.

## viii) Aftertax profits

Aftertax profit in 1998 dropped by almost the same 56% due to the substantial the drop in pretax profit.

The aftertax profit in 1999 which was almost the same as the pretax profit, increased by 24% compared with that for 1998. The reason being that profit for the year of 1999 was exempted from tax under the Income Tax (Amendment) Act 1999.

The 21% fall in the aftertax profit of the financial year 2000 was because of the tax charges which was absent in the previous year.

The aftertax profit in period 2001 increases by about 12.1% when compared with that of financial year 2000. This is consistent with the increase in pretax profit mentioned above as the effective tax rates for the two are comparable.

## ix) Taxation charges have been adjusted to reflect under/(over) provision in the respective years:-

	←----- Year ended 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
As stated in audited accounts	11,941	8,498	(115)	5,232	5,836
Adjustment to reflect the taxation in the respective year	48	(3,214)	90	(80)	57
	<u>11,989</u>	<u>5,284</u>	<u>(25)</u>	<u>5,152</u>	<u>5,893</u>
Less: Amount related to a subsidiary disposed of	-	(9)	-	(27)	-
	<u><u>11,989</u></u>	<u><u>5,275</u></u>	<u><u>(25)</u></u>	<u><u>5,125</u></u>	<u><u>5,893</u></u>

RM3.132 million of the adjustment under 1998 is adjusted because it relates to financial years 1987 to 1994. It is due to subsequent additional assessments for those years due to non-allowance of certain expenses.

The taxation adjustment for 1999 represents the over-provision of taxation for prior year. The profit for the year was exempted from tax under the Income Tax (Amendment) Act 1999.

## x) The difference between the effective rate of taxation and the statutory tax rate is due mainly to timing difference in the tax treatment of capital allowance on fixed assets and partly due to certain expenses not allowed for tax purposes such as entertainment expenses and cost of obtaining loans.

## xi) Exceptional items comprise:

	←----- Year ended 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Profit/(loss) on disposal of fixed assets	150	-	14	(11)	1
Unclaimed late delivery charges written back	-	-	-	1,459	-
Deferred expenditure written off	-	-	-	-	(30)
	<u>150</u>	<u>-</u>	<u>14</u>	<u>1,448</u>	<u>(29)</u>

Provision for late delivery charges were amounts set aside to meet claims by property buyers for any delay in delivery of properties bought by them. In year 2000, RM1.459 million was written back because the time limit for claiming had lapsed (statute barred).

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**11. ACCOUNTANTS' REPORT (Cont'd)**

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Company No. 078320-K

xii) The extraordinary item is an adjustment for the loss resulting from the disposal of CVM :-

	RM
Loss on disposal as adjusted above	116,188
Add: Excluded CVM profit for the 2 months to 31st January 2001	16,457
Total loss as per audited Group accounts	<u>132,645</u>

Apart from the above, there is no other extraordinary items during the years under review.

The agreement for the disposal of CVM on 31st January 2001 was based on the company's internal management accounts. No audited accounts of CVM were prepared for the period from 1st December 2000 to the date of disposal.

xiii) There is no minority interest for the years under review.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

5.2 Set below are the summarised results of the Company and each of the subsidiaries and associated company based on the audited accounts for the five (5) financial years ended 30th November 2001:-

**(a) THE COMPANY**

	←----- Year ended 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	<u>80,940</u>	<u>40,396</u>	<u>33,507</u>	<u>26,771</u>	<u>36,022</u>
Cost of goods sold	<u>37,955</u>	<u>23,288</u>	<u>15,510</u>	<u>8,221</u>	<u>11,739</u>
Gross profit	42,985	17,108	17,997	18,550	24,283
Gross margin	53.11%	42.35%	53.71%	69.29%	67.41%
Profit before depreciation, interest, taxation and exceptional items etc.	38,531	13,641	14,278	15,369	19,819
Depreciation	(336)	(346)	(179)	(189)	(320)
Exceptional items	150	-	14	1,448	1
Interest expense	(48)	(36)	-	-	(258)
Interest income from bank deposits	3,195	4,297	1,698	968	76
Late payments interest from buyers	738	146	28	26	114
Interest from other loan	-	-	-	80	-
Other operating income	<u>489</u>	<u>968</u>	<u>715</u>	<u>533</u>	<u>356</u>
Profit before taxation and extraordinary item	42,719	18,670	16,554	18,235	19,788
Taxation (as adjusted)	<u>(11,989)</u>	<u>(5,275)</u>	<u>25</u>	<u>(5,122)</u>	<u>(5,640)</u>
Profit after taxation but before extraordinary item	30,730	13,395	16,579	13,113	14,148
Extraordinary item (Note xx)	-	-	-	-	42
Profit after taxation and extraordinary item	<u>30,730</u>	<u>13,395</u>	<u>16,579</u>	<u>13,113</u>	<u>14,190</u>
Number of ordinary shares of RM1.00 each at end of financial year ('000)	6,000	6,000	6,000	6,000	85,000
Gross EPS (RM)	7.12	3.11	2.76	3.04	0.23
Net EPS (RM)	5.12	2.23	2.76	2.19	0.17
Effective tax rate	28.06%	28.25%	-0.15%	28.09%	28.50%
Gross dividend rate	476.00%	256.00%	0.00%	75.34%	27.35%

**NOTES:-**

- i) The above financial statements have been prepared based on the audited accounts for the years concerned. No adjustment has been made by us apart from the taxation charges as shown below.
- ii) During the years under review, CVB was the only company in the Group that was active with property development project going on. All the subsidiaries and associated company, except for CVV and CVC, have not commenced any development projects and generated any operating income since the date of their incorporation. Therefore most of the comments made in the notes under Item 5.1 above on the Group performance are mostly applicable to CVB and should therefore be read accordingly.
- iii) The number of shares was increased from 6,000,000 to 85,000,000 in year 2001 by way of bonus issue of 79,000,000 ordinary shares.
- iv) The EPSs are based on profit before/after tax and before extraordinary item.
- v) All the dividends in year 2000 and 25% of the dividends of 2001 are tax exempted.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

- vi) Turnover represents progress billings from houses sold. This is arrived at after segregating from other sources of income as shown above. Cost of sales represents proportionate cost of construction of houses sold.

	←----- Year ended 30th November ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited accounts	85,523	45,807	35,962	26,771	36,022
Less: Income other than from housing development:-					
Interest income from bank deposits	(3,195)	(4,297)	(1,698)	*	*
Late payments interest from buyers	(738)	(146)	(28)	*	*
Profit from disposal of fixed assets	(150)	-	(14)	*	*
Other operating income	(500)	(968)	(715)	*	*
	<u>80,940</u>	<u>40,396</u>	<u>33,507</u>	<u>26,771</u>	<u>36,022</u>

\* In years 2000 and 2001, these were grouped under other operating income in the Statutory audited accounts which were excluded from the revenue figures.

- vii) The bulk of the turnover in 1997 consists of progress billings from shopoffices, single and double storey terrace houses. They were RM14.9 million, RM22.1 million and RM25.2 million respectively. The total number of units sold was 370 and about one-third of this was from shopoffices.

- viii) Turnover in 1998 decreased by about 50%. The main reasons are:-

- a) No further progress billing for double storey terrace houses due to their full completion in 1997.
- b) No launching of new phases after 1997 and sales were from unsold stock of existing phases.
- c) Full completion of single terrace houses and low medium cost apartments in 1997 and most billings were done prior to 1997.
- d) The adverse economic conditions prevailing then.

About RM19.7 million of the progress billing in 1998 was to two corporate buyers. One of these was the vendor to a piece of property acquired by CVP. The other was a consulting company which provided services to CVP.

- ix) The reasons for the decrease in turnover by about 17% in 1999 are:-

- a) Decline in sales. Only 133 units were sold as compared with 274 units in 1998.
- b) No launching of new phases and sales were from unsold stocks from existing phases.
- c) Billings on apartments sold to the two bulk corporate purchasers dropped to RM7.4 million from RM19.7 million of the previous year.

- x) Decrease of turnover in year 2000 by about 20% is because most of the sales were done before that year and all properties were completed with Certificates of Fitness for Occupation before then except for Melawis apartments and sales were from other remaining unsold stocks. About RM13.5 million of progress billings were from those apartments and the rest were from billings from shopoffices and other stocks. RM11 million of the total turnover was from progress bills to one of the two corporate buyers mentioned above.

- xi) Compared with the year 2000, the turnover in year 2001 increases by about 34.6%. This is mainly due to sales of development land and completed double storey shop-offices and the launching of on-going development properties in Taman Universiti in 2001. Of the 2001 turnover, RM13 million is from sales of development land and completed development properties to companies owned/controlled by certain directors/shareholders. Of this RM13 million, RM12.804 million was sold as a transfer from CVB to one of these companies which in turn sold 51 bungalow land to CVB for RM12.805 million.



**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

- xii) The drop in gross margin in 1998 is due mainly to less billings on houses of higher margins such as shopoffices and single and double-storey terrace houses. On the other hand, the increase in gross margin in year 1999 and 2000 is because billings were mainly from shop-offices and single and double-storey terrace houses which are higher margin products. Slightly lower gross margin in 2001 is a results of lower sales of high margin properties such as double storey shop-offices and lower attributable profit from CVB's on-going projects in Taman Universiti launched during the year. This lower margin is partly offset by the high margin from the sale of development land.
- xiii) Other operating income is higher in 1998 due to Tenaga Nasional Berhad reimbursements for sub-station equipment of about RM565,000 and forfeited house buyers' deposits of about RM115,000. Higher other operating income in 1999 is due to rental of properties increases by about RM340,000.
- xiv) The exceptional items in 1997, 1999 and 2001 are from disposals of fixed assets and/or write off of deferred expenditure, whereas that in 2000 represents unclaimed accrual for late delivery interest written back.
- xv) Both the pretax and aftertax profit in period 2001 increase by about 8.5% and 7.9% respectively when compared with the results of the financial year 2000 inspite of the decreases in other income and the absence in 2001 of the RM1.45 million exceptional items shown under year 2000. This is in line with the higher gross profit achieved in 2001.
- xvi) All the dividends in year 2000 and 25% of the 27.35% dividends in year 2001 are tax exempt dividends declared from profit exempted under the Income Tax (Amendment) Act, 1999.
- xvii) Taxation charges have been adjusted to reflect under/(over) provision in the respective years:-

	←----- Year ended 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
As stated in audited accounts	11,941	8,489	(115)	5,202	5,583
Adjustment to reflect the taxation in the respective year	48	(3,214)	90	(80)	57
Taxation adjusted	<u>11,989</u>	<u>5,275</u>	<u>(25)</u>	<u>5,122</u>	<u>5,640</u>

RM3.132 million of the adjustment under 1998 is adjusted because it relates to financial years 1987 to 1994. It is due to subsequent additional assessments for those years due to non-allowance of certain expenses.

- xviii) The variation between the effective tax rate from the statutory rate is due mainly to timing differences in the treatment of capital allowance on fixed assets and or disallowance expenses such as entertainment and excess bonus etc. That in 1999 is because of tax exemption on income earned under Section 8 of the Income Tax (Amendment) Act, 1999.
- xiv) Stated below are related party transactions for the past five (5) years under review:-

	←----- Year ended 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Sales of houses, development land to directors/ shareholders or parties related to them	-	-	1,087	-	13,106
Purchases of bungalow lots	-	-	-	-	12,805
Purchase of fixed assets	-	-	-	-	150
Purchases of building materials	-	-	-	-	6
Rental received	-	-	-	-	6
Sales and administrative charges received from an affiliated company, Atlantic Equity Sdn Bhd **	205	1	46	-	-
	<u>205</u>	<u>1</u>	<u>1,133</u>	<u>-</u>	<u>26,073</u>

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

\*\* This is the net amount after paying sub-contractor as shown below:-

	←----- Year ended 30th November -----→				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Amount received	1,027	5	230	-	-
Paid to sub-contractor	(822)	(4)	(184)	-	-
	<u>205</u>	<u>1</u>	<u>46</u>	<u>-</u>	<u>-</u>

xx) Apart from the profit of RM42,320 from the disposal of CVM in period 2001, there is no other extraordinary items during the years under review.

The agreement for the disposal of CVM on 31st January 2001 was based on the company's internal management accounts. No audited accounts of CVM were prepared for the period from 1st December 2000 to date of disposal.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**(b) CVP**

	←----- Year ended 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	-	-	-	-	-
Gross profit/(loss)	-	-	-	-	-
Profit/(Loss) before taxation	(5)	(6)	(9)	(6)	(8)
Less: Taxation	-	-	-	-	-
Loss after taxation	<u>(5)</u>	<u>(6)</u>	<u>(9)</u>	<u>(6)</u>	<u>(8)</u>

**NOTES:-**

- (i) CVP was incorporated on 24th May 1996. The first set of accounts was for the period from the date of incorporation to 30th November 1996.
- (ii) Although the company has acquired a piece of land on 30th June 1997, the company has not commenced any project or derived any income since the date of incorporation.
- (iii) Losses incurred represent administrative expenses such as audit, secretarial fees and printing and stationery expenses etc. incurred for the respective years/period. In the case of the year 2001 it includes Deferred Expenditure written off of RM2,800.

**(c) CVE**

	Period ended 30th Nov 1997 RM'000	←----- Year ended 30th November ----->			
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	
Turnover	-	-	-	-	-
Gross profit	-	-	-	-	-
Profit before taxation	-	-	*	7	1
Less: Taxation	-	-	-	(3)	(3)
Profit/(loss) after taxation	<u>-</u>	<u>-</u>	<u>*</u>	<u>4</u>	<u>(2)</u>

**NOTES:-**

- (i) CVE was incorporated on 26th August 1997. The first set of accounts was for the period from the date of incorporation to 30th November 1997.
- (ii) In 1999, 2000 and 2001, the company derived rental income from a property bought on 26th March 1999. This amounts to RM3,200, RM9,600 and RM9,600 respectively. All administrative expenses incurred in each of these years/period are charged to the profit and loss account for the respective years/period. In year 2001, the amount so charged also includes the RM5,039 Deferred Expenditure brought forward previously.
- (iii) \* This represent RM155 being the difference between rental income of RM3,200 and administrative expenses of RM3,045.
- (iv) Profit in 1999 is exempted from tax under the Income Tax (Amendment) Act 1999. Taxation charge in 2001 is disproportionate to the profit figure due to non-allowable Deferred Expenditure.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**(d) CVV**

	Period	Year ended 30th November			
	ended 30th Nov 1997 RM'000	← 1998 RM'000	1999 RM'000	2000 RM'000	→ 2001 RM'000
Turnover	-	-	-	-	-
Gross profit	-	-	-	-	-
Profit/(loss) before interest and taxation	-	-	-	(13)	(11)
Share of losses in associated company	-	-	-	(57)	(86)
Interest income	-	-	-	1	-
Profit/(Loss) before taxation	-	-	-	(69)	(97)
Taxation	-	-	-	**	-
Profit/(Loss) after taxation	-	-	-	(69)	(97)

**NOTES:-**

- (i) CVV was incorporated on 26th August 1997. The first set of accounts was for the period from the date of incorporation to 30th November 1997.
- (ii) No income was derived prior to the financial year 2000 and in 2001. In year 2000, an interest from bank deposit of RM974 was received and all administrative expenses incurred in that year amounting to RM13,043 was expensed off in the profit and loss account.
- (iii) The loss in period 2001 represents administrative expenses incurred such as audit and secretarial fees etc. incurred in that period as well as the write off of RM7,079 Deferred Expenditure brought forward.
- (iv) \*\*Taxation on interest was RM273.

**(e) CVL**

	Period	Year ended	
	ended 30th Nov 1999 RM'000	30th November 2000 RM'000	2001 RM'000
Turnover	-	-	687
Profit/(Loss) before taxation	-	-	670
Taxation	-	-	(190)
Profit/(Loss) after taxation	-	-	480

**NOTES:-**

- (i) CVL was incorporated on 3rd August 1999. The first set of accounts was for the period from the date of incorporation to 30th November 1999.
- (ii) Although the company has acquired a piece of land on 15th August 2000, the company did not commence any project or derive any income from the date of incorporation until period 2001.
- (iii) Turnover in year 2001 represents proceeds from sales of rubber, oil palm fresh fruit bunches and rubberwood from land clearing for development.
- (iv) The profit before tax in period 2001 is after deducting expenses of RM17,794 which includes the write off of RM7,376 Deferred Expenditure brought forward.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**(f) CVR**

	Period ended 30th Nov 2000 RM'000	Year ended 30th Nov 2001 RM'000
Turnover	-	-
(Loss) before and after taxation	-	(16)

**NOTES:-**

- (i) CVR was incorporated on 17th August 2000. The first set of accounts was for the period from the date of incorporation to 30th November 2000.
- (ii) Although the company has acquired a piece of land on 19th January 2001, the company has no income since the date of incorporation.
- (iii) The loss for the 2001 period is after deducting expenses of RM15,619 which include the write off of the RM3,625 Deferred Expenditure brought forward and an amount of RM2,255 incurred in increasing its authorised and issue capital.

**(g) CVC**

	Period ended 30th Nov 2000 RM'000	Year ended 30th Nov 2001 RM'000
Turnover	-	1,602
Profit before taxation	-	216
Taxation	-	(61)
Profit after taxation	-	155

**NOTES:-**

- (i) CVC was incorporated on 12th September 2000. The first set of accounts was for the period from the date of incorporation to 30th November 2000.
- (ii) The company commenced business as construction contractors for CVB, its holding company in period 2001.
- (iii) Turnover in period 2001 represents progress billings on the construction contract with CVB.
- (iv) Profit before taxation in period 2001 is arrived at after deducting all expenses including Deferred Expenditure brought forward of RM3,529.
- (v) Related party transactions during year 2001 are as below:-

	RM'000
Sales	1,602
Purchases of materials	673
	<u>2,275</u>

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**(h) OBSB**

The audited Profit and loss accounts for periods from 6th July 1999 (date of incorporation) to 30th November 2000 and to 31st December 2000 and the eleven (11) months ended 30th November 2001 are as below:-

	<b>06.07.1999 to 30.11.2000 RM'000</b>	<b>06.07.1999 to 31.12.2000 RM'000</b>	<b>01.01.2001 to 30.11.2001 RM'000</b>
Turnover	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Other operating income	26	26	*
Administrative expenses	<u>(257)</u>	<u>(282)</u>	<u>(329)</u>
Loss from operations	(231)	(256)	(329)
Finance cost	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>
Loss from operations	(236)	(261)	(334)
Taxation	-	-	-
Loss after taxation	<u>(236)</u>	<u>(261)</u>	<u>(334)</u>
The Group's share of the loss is 24%	<u>(57)</u>	<u>(63)</u>	<u>(80)</u>

## NOTES :-

- (i) In line with its holding company, Oriharta Sdn Bhd, the actual financial year end of OBSB is 31st December.
- (ii) This company and its holding company are audited by other firms of accountants.
- (iii) Other operating income consists of interest from bank deposit.
- (iv) \* This denotes RM249.00.
- (v) The company has not commenced any operations since the date of incorporation.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**6. DIVIDENDS**

Details of dividends declared and paid by the Company during the years under review are as described below:-

**THE COMPANY**

Financial year		Paid up capital RM	Dividend rate Gross	Net dividend Paid RM	Tax rate
1997	1st interim	6,000,000	476%	19,992,000	30%
1998	1st interim	6,000,000	116%	5,011,200	28%
	2nd interim	6,000,000	140%	6,048,000	28%
1999	-	6,000,000	-	-	-
2000	1st interim	6,000,000	8.34%	500,400	Tax exempt
	2nd interim	6,000,000	67%	4,020,000	Tax exempt
2001	1st interim	6,000,000	25%	1,500,000	Tax exempt
	2nd interim	85,000,000	2.35%	1,438,200	28%

No dividend was paid by any of the subsidiaries and associated company of CVB.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**7. SUMMARISED BALANCE SHEETS**

Set below are summarised balance sheets of the Company and each of the subsidiaries and associated company based on the audited accounts as at end of each of the five (5) financial years ended 30th November 2001 :-

**7.1 THE COMPANY**

	←----- As at 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
<b>FIXED ASSETS</b>	764	432	621	613	1,256
<b>INTEREST IN SUBSIDIARY COMPANIES</b>	10,249	35,061	48,202	71,493	143,953
<b>CURRENT ASSETS</b>	90,385	56,821	51,881	33,980	37,066
<b>CURRENT LIABILITIES</b>	(22,637)	(14,496)	(6,243)	(3,133)	(27,644)
<b>NET CURRENT ASSETS</b>	67,748	42,325	45,638	30,847	9,422
	<u>78,761</u>	<u>77,818</u>	<u>94,461</u>	<u>102,953</u>	<u>154,631</u>
<b>SHARES CAPITAL</b>	6,000	6,000	6,000	6,000	85,000
<b>RETAINED EARNINGS</b>	72,641	71,763	88,431	96,943	29,253
<b>SHAREHOLDERS' FUNDS</b>	78,641	77,763	94,431	102,943	114,253
<b>LONG TERM AND DEFERRED LIABILITIES</b>					
TERM LOANS	-	-	-	-	38,621
BRIDGING LOANS	-	-	-	-	1,417
HIRE PURCHASE CREDITORS	-	-	-	-	340
DEFERRED TAXATION	120	55	30	10	-
	<u>78,761</u>	<u>77,818</u>	<u>94,461</u>	<u>102,953</u>	<u>154,631</u>
Number of ordinary shares of RM1.00 each as at balance sheet date ('000)	6,000	6,000	6,000	6,000	85,000
Net tangible assets per ordinary share of RM1.00 each (RM)	13.11	12.96	15.74	17.16	1.34

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**7.2 CVP**

	← As at 30th November →				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
DEFERRED EXPENDITURE	3	3	3	3	-
LAND HELD FOR DEVELOPMENT	75	55,569	56,236	54,396	54,475
CURRENT ASSETS	10,142	-	-	-	-
CURRENT LIABILITIES	(10,226)	(55,584)	(56,260)	(54,426)	(54,509)
NET CURRENT ASSETS/(LIABILITIES)	(84)	(55,584)	(56,260)	(54,426)	(54,509)
	<u>(6)</u>	<u>(12)</u>	<u>(21)</u>	<u>(27)</u>	<u>(34)</u>
SHARES CAPITAL	*	*	*	*	*
RETAINED EARNINGS	(6)	(12)	(21)	(27)	(34)
Shareholders' Funds	<u>(6)</u>	<u>(12)</u>	<u>(21)</u>	<u>(27)</u>	<u>(34)</u>
Number of ordinary shares of RM1.00 each as at balance sheet date	**	**	**	**	**
Net tangible assets per ordinary share of RM1.00 each (RM'000)	(4.5)	(7.5)	(12)	(15)	(17)

**NOTES:-**

(i) Current liabilities consist of:-

	← As at 30th November →				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Amount due to Holding Company	10,223	35,027	43,132	54,422	54,505
Other creditors	3	20,557	13,128	4	4
	<u>10,226</u>	<u>55,584</u>	<u>56,260</u>	<u>54,426</u>	<u>54,509</u>

(ii) The company was incorporated on 24th May 1996 and its first set of accounts was prepared for the period ended 30th November 1996.

(iii) \* This represents RM2.00.

(iv) \*\* This represents two (2) subscribers' shares.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**7.3 CVE**

	←----- As at 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
DEFERRED EXPENDITURE	3	5	5	5	-
LAND HELD FOR DEVELOPMENT	-	-	4,051	4,153	4,167
CURRENT ASSETS	-	-	5	3	1
CURRENT LIABILITIES	(3)	(5)	(4,061)	(4,157)	(4,166)
NET CURRENT ASSETS/(LIABILITIES)	(3)	(5)	(4,056)	(4,154)	(4,165)
	*	*	+	4	2
SHARES CAPITAL	*	*	*	*	*
RETAINED EARNINGS	-	-	-	4	2
Shareholders' Funds	*	*	+	4	2
Number of ordinary shares of RM1.00 each as at balance sheet date	**	**	**	**	**
Net tangible assets per ordinary share of RM1.00 each (RM)	(1,499)	(2,499)	(2,421.50)	(500)	1,000

**NOTES:-**

(i) Current liabilities consist of:-

	←----- As at 30th November ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Amount due to Holding Company	3	5	4,057	4,150	4,154
Other creditors	-	-	4	7	12
	3	5	4,061	4,157	4,166

(ii) \* This represents two (2) subscribers shares

(iii) \*\* This represents two(2) subscribers shares.

(iv) + This denotes RM157

(v) The company was incorporated on 26th August 1997 and its first set of accounts was prepared for the period ended 30th November 1997.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**7.4 CVV**

	← As at 30th November →				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
DEFERRED EXPENDITURE	3	5	7	7	-
ASSOCIATED COMPANY	-	-	240	423	577
CURRENT ASSETS	-	-	741	500	649
CURRENT LIABILITIES	(3)	(5)	(988)	(999)	(1,392)
NET CURRENT ASSETS/(LIABILITIES)	(3)	(5)	(247)	(499)	(743)
	<u>*</u>	<u>*</u>	<u>*</u>	<u>(69)</u>	<u>(166)</u>
SHARES CAPITAL	*	*	*	*	*
RETAINED EARNINGS	-	-	-	(69)	(166)
Shareholders' Funds	<u>*</u>	<u>*</u>	<u>*</u>	<u>(69)</u>	<u>(166)</u>
Number of ordinary shares of RM1.00 each as at balance sheet date	**	**	**	**	**
Net tangible assets per ordinary share of RM1.00 each (RM)	(1,499)	(2,499)	(3,499)	(37,999)	(82,999)

**NOTES:-**

(i) Current liabilities consist of:-

	← As at 30th November →				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Amount due to Holding Company	3	5	987	998	1,389
Other creditors	-	-	1	1	3
	<u>3</u>	<u>5</u>	<u>988</u>	<u>999</u>	<u>1,392</u>

(ii) \* This denotes RM2.00

(iii) \*\* This represents two (2) subscribers shares

(iv) The company was incorporated on 26th August 1997 and its first set of accounts was prepared for the period ended 30th November 1997.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**7.5 CVL**

	←----- As at 30th November ----->		
	1999 RM'000	2000 RM'000	2001 RM'000
FIXED ASSETS	-	-	4
DEFERRED EXPENDITURE	4	7	-
LAND HELD FOR DEVELOPMENT	-	12	27,240
CURRENT ASSETS	-	11,873	17
CURRENT LIABILITIES	(4)	(11,592)	(26,481)
NET CURRENT ASSETS/(LIABILITIES)	(4)	281	(26,464)
	<u>*</u>	<u>300</u>	<u>780</u>
SHARES CAPITAL	*	300	300
RETAINED EARNINGS	-	-	480
Shareholders' Funds	<u>*</u>	<u>300</u>	<u>780</u>
Number of ordinary shares of RM1.00 each as at balance sheet date ('000)	**	300	300
Net tangible assets per ordinary share of RM1.00 each (RM)	(1,999)	0.98	2.60

**NOTES:-**

(i) Current liabilities consist of:-

	←----- As at 30th November ----->		
	1999 RM'000	2000 RM'000	2001 RM'000
Amount due to Holding Company	3	11,591	26,323
Other creditors	1	1	158
	<u>4</u>	<u>11,592</u>	<u>26,481</u>

(ii) \* This denotes RM2.00

(iii) \*\* This represents two (2) subscribers shares

(iv) The company was incorporated on 3rd August 1999 and its first set of accounts was prepared for the period ended 30th November 1999.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**7.6 CVR**

	<b>As at 30th November</b>	
	<b>2000</b>	<b>2001</b>
	<b>RM'000</b>	<b>RM'000</b>
DEFERRED EXPENDITURE	4	-
FIXED ASSETS	-	30
LAND HELD FOR DEVELOPMENT	-	57,274
CURRENT ASSETS	<u>1</u>	<u>5</u>
CURRENT LIABILITIES	(5)	(57,025)
NET CURRENT LIABILITIES	(4)	(57,020)
	<u>*</u>	<u>284</u>
SHARES CAPITAL	*	300
RETAINED EARNINGS	-	(16)
Shareholders' Funds	<u>*</u>	<u>284</u>
Number of ordinary shares of RM1.00 each as at balance sheet date	**	300
Net tangible assets per ordinary share of RM1.00 each (RM)	(1,999)	0.95

**NOTES:-**

- (i) Current assets in 2001 include an amount of RM364,441 due to the Holding Company.
- (ii) Current liabilities consist of:-

	<b>As at 30th November</b>	
	<b>2000</b>	<b>2001</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due to Holding Company	5	56,982
Other creditors	-	43
	<u>5</u>	<u>57,025</u>

- (iii) \* This denotes RM2.00.
- (iv) \*\* This represents two (2) subscribers shares.
- (v) The company was incorporated on 17th August 2000 and its first set of accounts was prepared for the period ended 30th November 2000.
- (vi) On 10th May 2001, the company increased its authorised capital from RM100,000 to RM500,000 by the creation of an additional 400,000 ordinary shares of RM1 each. It also increased its paid up capital to RM300,000 by the allotment of 299,998 ordinary shares of RM1 each for cash to CVB.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**7.7 CVC**

	As at 30th November	
	2000	2001
	RM'000	RM'000
DEFERRED EXPENDITURE	4	-
CURRENT ASSETS	-	382
CURRENT LIABILITIES	(4)	(227)
NET CURRENT ASSETS/(LIABILITIES)	(4)	155
	<u>*</u>	<u>155</u>
SHARES CAPITAL	*	*
RETAINED EARNINGS	-	155
Shareholders' Funds	<u>*</u>	<u>155</u>
Number of ordinary shares of RM1.00 each as at balance sheet date	**	**
Net tangible assets per ordinary share of RM1.00 each (RM'000)	(2)	77.5

**NOTES:-**

- (i) Current assets in 2001 include an amount of RM364,441 due from the Holding Company.
- (ii) Current liabilities consist of:-

	As at 30th November	
	2000	2001
	RM'000	RM'000
Amount due to Holding Company	3	-
Other creditors	1	227
	<u>4</u>	<u>227</u>

- (iii) \* This denotes RM2.00
- (iv) \*\* This represents two (2) subscribers shares
- (v) The company was incorporated on 12th September 2000 and its first set of accounts was prepared for the period ended 30th November 2000.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**7.8 OBSB**

	As at 30th November 2000 RM'000	As at 31st December 2000 RM'000	As at 30th November 2001 RM'000
FIXED ASSETS	157	155	133
DEVELOPMENT EXPENDITURE	1,326	1,537	2,087
CURRENT ASSETS	362	140	34
CURRENT LIABILITIES	(48)	(62)	(50)
NET CURRENT ASSETS	314	78	(16)
	<u>1,797</u>	<u>1,770</u>	<u>2,204</u>
SHARES CAPITAL	2,000	2,000	2,500
RETAINED EARNINGS	(236)	(261)	(595)
	<u>1,764</u>	<u>1,739</u>	<u>1,905</u>
SHARES APPLICATION MONIES	-	-	294
DEFERRED LIABILITY			
Hire purchase creditor	33	31	5
	<u>1,797</u>	<u>1,770</u>	<u>2,204</u>
Number of ordinary shares of RM1.00 each as at balance sheet date ('000)	2,000	2,000	2,500
Net tangible assets per ordinary share of RM1.00 each (RM)	0.88	0.87	0.76

The company was incorporated on 6th July 1999 with an authorised capital of RM2,000,000. This has been increased to RM5,000,000 subsequently. The first set of statutory accounts was prepared for the period ended 31st December 2000.

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**8. PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

Set below is the proforma consolidated cash flow statement for the Group for the financial year to 30th November 2001. It is based on the assumption that the Group had been in existence throughout the years under review.

	RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	
Profit before taxation	20,510
Adjustments for :-	
Deferred expenditure written off	29
Depreciation	321
Dividend received	*
Interest from bank deposits	(76)
Interest received	**
Interest paid	258
Loss/(Profit) on disposal of fixed assets	(1)
Share of losses of an associated company	86
Operating profit before working capital changes	<u>21,127</u>
Increase in land and development expenditure	(99,208)
Increase in trade debtors and other receivables	2,476
Increase in trade creditors and other payables	3,844
Cash generated from operations	<u>(71,761)</u>
Interest received	**
Tax paid	(5,477)
<b>Net Cash Used In Operating Activities</b>	<u>(77,238)</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	
Dividend received - quoted	*
Interest from bank deposits	76
Investment in associated company	(240)
Net proceeds from disposal of a subsidiary	52
Proceeds from disposal of fixed assets	1
Purchase of fixed assets	(997)
<b>Net Cash Generated From Investing Activities</b>	<u>(1,108)</u>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	
Drawdown of bank borrowings	46,417
Repayment of bank borrowings	(1,654)
Hire purchase finance	540
Interest paid	(258)
Hire purchase instalments paid	(84)
Dividends paid	(1,500)
<b>Net Cash Used In Financing Activities</b>	<u>43,461</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(34,885)
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	24,672
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<u>(10,213)</u>

(i) The above statement excludes the cash flow of Country View Management Sdn. Bhd. (CVM), a subsidiary which was disposed of on the 31st January 2001.

(ii) **Cash and Cash Equivalents:-**

	RM'000
Fixed deposits with financial institutions	603
Cash and bank balances	3,272
Short term borrowings	(14,088)
	<u>(10,213)</u>

(iii) \* denotes RM264/- while \*\* denotes RM407/-.



**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**9. PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The following proforma statement of assets and liabilities of the CVB Group has been prepared based on the audited balance sheets of the Group as at 30th November 2001 and on the assumption that the public issue had been effected as at 30th November 2001.

		<b>Audited Accounts As At 30th November 2001</b>	<b>Proforma After Public Issue</b>
	<b>NOTES</b>	<b>RM'000</b>	<b>RM'000</b>
<b>FIXED ASSETS</b>	(ii)	1,289	1,289
<b>DEFERRED EXPENDITURE</b>	(iii)	-	-
<b>LAND HELD FOR DEVELOPMENT</b>	(iv)	143,157	143,157
<b>INVESTMENT IN ASSOCIATED COMPANY</b>	(v)	577	577
<b><u>CURRENT ASSETS</u></b>			
Land and development expenditure	(vi)	22,413	22,413
Trade debtors		8,082	8,082
Other debtors, deposit & prepayments	(vii)	3,335	2,431
Fixed deposits	(viii)	603	603
Quoted shares	(ix)	6	6
Cash and bank balances	(x)	3,273	17,143
		37,712	50,678
<b><u>CURRENT LIABILITIES</u></b>			
Trade creditors		2,303	2,303
Other creditors, deposits & accruals		4,087	3,553
Short term borrowings	(xi)	14,088	14,088
Term loans (current portion)	(xi)	4,725	2,725
Hire purchase creditors (current portion)	(xii)	116	116
Proposed dividends		1,438	1,438
Provision for taxation		970	970
		27,727	25,193
<b>NET CURRENT ASSETS</b>		9,985	25,485
		155,008	170,508
<b>SHARE CAPITAL</b>	(xiii)	85,000	100,000
<b>RETAINED EARNINGS</b>	(xiii)	29,630	29,630
<b>SHARE PREMIUM</b>	(xiii)	-	500
<b>SHAREHOLDERS' FUNDS</b>		114,630	130,130
<b><u>LONG TERM AND DEFERRED LIABILITIES</u></b>			
Hire purchase creditors	(xii)	340	340
Bridging loans	(xi)	1,418	1,418
Term Loans	(xi)	38,620	38,620
Deferred taxation	(xiv)	-	-
		155,008	170,508

**Proforma** - This incorporates the proposed public issue of 15,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.20 per ordinary share that gives rise to a share premium of RM3,000,000 and is stated after deducting the estimated listing expenses of RM2,500,000 and the repayment of RM2,000,000 of the borrowings from Arab-Malaysian Merchant Bank Berhad.

## 11. ACCOUNTANTS' REPORT (Cont'd)

Company No. 078320-K

### NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

#### (i) SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of Accounting

The financial statements are prepared under the historical cost convention and comply with applicable approved accounting standards in Malaysia.

##### (b) Basis of Consolidation

The consolidated accounts include the accounts of the company and its subsidiaries made up to the end of the financial year. The accounts of the subsidiaries are consolidated using acquisition accounting according to the provisions of Malaysian Accounting Standard No. 2. All intercompany balances and transactions are eliminated on consolidation and the consolidated accounts reflects external transactions only.

##### (c) Associated Company

An associated company is a non-subsiary company in which the Group holds as long-term investment of not less than 20% of the equity voting rights and in which the Group is in a position to exercise significant influence in its management.

Prior to 2001, investment in associated company is accounted for under the cost method. This has been changed to equity method in financial year 2001. Accordingly, the Group's share of post-acquisition profits/losses less taxation of associated company is included in the consolidated income statement, and the Group's share of post-acquisition reserves is added to/deducted from the cost of investment in the consolidated balance sheet.

This change in accounting policy has the effect of decreasing the Group profit before/after taxation by RM86,160 in 2001 and RM56,638 in 2000.

##### (d) Investments

Investments in quoted shares are accounted for at cost.

##### (e) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis at the following annual rates which are intended to write off the cost of the assets over their estimated useful lives:-

Motor vehicles	- 20%
Other assets	- 15%

##### (f) Debtors

Known bad debts, if any, are written off and provision is made for any debts considered to be doubtful of collection.

##### (g) Deferred Taxation

Provision is made under the liability method for taxation deferred in respect of all timing differences except where it is reasonably expected that the tax effects of such deferrals will continue in the foreseeable future.

##### (h) Leases

Lease rental applicable to operating lease is charged to the income statement as and when incurred.

##### (i) Hire Purchase

Assets held under hire purchase are treated as purchased at cost at the beginning of the hire purchase agreements. They are included in fixed assets at cost and depreciation is provided accordingly. The obligations under such agreements are included under liabilities. Finance charges on instalments payable are charged to the profit and loss account over the period of the agreements.

## 11. ACCOUNTANTS' REPORT (Cont'd)

Company No. 078320-K

### (j) Revenue Recognition

Revenue from sale of development properties is recognised based on the percentage of completion method in that turnover recognised is based on sales value of completed houses and buildings and proportionate sales value of houses and buildings under construction which have been sold according to the percentage of completion, where the outcome of the development projects and contracts can be reliably measured. Any foreseeable loss on a development project or contract is provided for.

Dividend income arising from other investments is recognised on a receipt basis.

Rental income, interest income and other operating income are recognised on the accrual basis.

### (k) Cash and cash equivalents

Cash and cash equivalents represent cash and bank balances and deposits with financial institutions.

### (l) Intangible Assets

These comprise of preliminary and pre-operation expenses. Prior to 2001 certain subsidiaries carried forward these intangibles at cost for future write off. However, with effect from 2001, the Group has adopted a uniform policy of writing them off as and when incurred. The total amount written off in 2001 is only around RM29,000, the effect of this change in policy is considered immaterial.

### (m) Land Held for Development

All expenditure incurred in connection with the development of the proposed projects including interest charges and other costs of borrowing relating to land acquisition and development are charged to land held for development account.

### (n) Land and Development Expenditure

These are stated at cost and include cost of land and development expenditure, interest charges and other costs of borrowing related to financing of development and an allocation of overhead expenses.

### (o) Turnover

Turnover of the Group comprises the following :-

- sales value of completed development properties sold and proportionate sales value attributable to stages of completion of uncompleted development properties which have been sold.

### (p) Late Delivery Interest

All known specific late delivery interest payable to house purchasers is provided for in full.

### (q) Promotional Expenses

Promotional expenses are written off in the year in which they are incurred. Expenses recovery, if any, is recognised as income as and when received.

### (ii) FIXED ASSETS

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Furniture & fitting	66	27	39
Office equipment	524	281	243
Motor vehicles	2,557	1,568	989
Site equipment	51	33	18
	<u>3,198</u>	<u>1,909</u>	<u>1,289</u>

One of the motor vehicles which costs RM150,000 was purchased from a related party in year 2001. The net book value of fixed assets held under hire purchase amounts to RM640,274.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**(iii) DEFERRED EXPENDITURE**

	RM'000
Balance brought forward at cost at 1st December 2000:	
Incorporation expenses	17
Pre-operation expenses	<u>12</u>
	29
Less: Amount written off	<u>29</u>
Balance as at 30th November 2001	<u><u>-</u></u>

**(iv) LAND HELD FOR DEVELOPMENT**

	RM'000
Freehold land, at cost	80,352
Leasehold land, at cost	<u>45,349</u>
	125,701
Development expenditure	<u>17,456</u>
	<u><u>143,157</u></u>

Included in the development expenditure is an interest expense of RM2.099 million.

**(v) INVESTMENT IN ASSOCIATED COMPANY**

	RM'000
Unquoted shares, at cost	600
Shares application monies	<u>120</u>
	720
Share of loss in an associated company	<u>(143)</u>
	<u><u>577</u></u>

The associated company is Optima Bestari Sdn Bhd in which the Group has a 24% interest.

**(vi) LAND & DEVELOPMENT EXPENDITURE**

	RM'000
Land and development expenditure	32,985
Attributable profit	<u>12,626</u>
	45,611
Less: Progress billings	(20,735)
Cost of land/properties sold	<u>(2,463)</u>
	<u><u>22,413</u></u>

**(vii) OTHER DEBTORS, DEPOSITS AND PREPAYMENTS**

This includes an advance of RM649,000 to one of the shareholders of the associated company.

**(viii) FIXED DEPOSITS**

These are fixed deposits with licensed banks.

**(ix) QUOTED SHARES**

The shares are stated at cost. Their market value is approximately RM7,102.

**(x) CASH AND BANK BALANCE**

Included in the Group's cash and bank balances is an amount of RM3,291 held under Housing Development Account pursuant to Section 7A of the Housing Developers (Control and Licensing) Act 1966.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**(xi) SHORT TERM BORROWINGS AND TERM LOANS**

	RM'000
<b>SHORT TERM BORROWINGS:-</b>	
Bank overdrafts	4,088
Revolving credits	10,000
	<u>14,088</u>
<b>BRIDGING LOANS</b>	<u>1,418</u>
<b>TERM LOANS:-</b>	
Term loans	43,345
Amount due within 12 months shown under current liabilities	(4,725)
	<u>38,620</u>

The above banking facilities are secured by way of legal charges on the Group's landed properties, by debentures by way of fixed and floating charges over the Group's present and future assets and on the guarantees of certain directors of CVB.

The term and bridging loans are for 5 years. Repayments are either by redemption at specified amount for each type of development properties sold or by monthly instalments of between RM160,000 to RM470,000 over 37 to 49 instalments whichever is earlier.

Interest rates charged are between 1.5% to 2.25% above the lending banks' base lending rate/cost of funds .

**(xii) HIRE PURCHASE CREDITORS**

	RM'000
Gross amount payable	576
Less: Unexpired term charges	(120)
	<u>456</u>
Less: Portion payable within 1 year	(116)
Portion payable after 1 year	<u>340</u>

**(xiii) SHARE CAPITAL, RETAINED EARNINGS AND SHARE PREMIUM**

	SHARE CAPITAL RM'000	RETAINED EARNINGS RM'000	SHARE PREMIUM RM'000
Balance as at 31st November, 2000 per audited accounts	6,000	97,010	-
Profit after tax for the year ended 30th November, 2001	-	14,558	-
Interim dividends	-	(2,938)	-
	<u>6,000</u>	<u>108,630</u>	<u>-</u>
Add/(less): Bonus issue of 79,000,000 ordinary shares to existing shareholders	<u>79,000</u>	<u>(79,000)</u>	<u>-</u>
Balance as at 30th November, 2001	85,000	29,630	-
Add: Public issue of 15,000,000 shares at RM1.20 per share	15,000	-	3,000
Less: Estimated listing expenses	-	-	(2,500)
<b>As per Proforma Statement of Assets and Liabilities</b>	<u>100,000</u>	<u>29,630</u>	<u>500</u>

**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**(xiv) DEFERRED TAXATION**

	<b>RM'000</b>
Balance as at 30th November 2000	10
Reversal of timing differences in financial year 2001	<u>(10)</u>
Balance as at 30th November 2001	<u><u>-</u></u>

**(xv) MATERIAL COMMITMENTS**

	<b>RM'000</b>
As at 30th November 2001, the Group has the following commitments :-	
(a) In respect of a shareholder of an associated company and the latter's intended development projects	11,851
(b) Contracts awarded	<u>12,848</u>
	<u><u>24,699</u></u>

**(xvi) CONTINGENT LIABILITIES AND CONTINGENCIES**

	<b>RM'000</b>
Bank guarantees granted to the Group	<u>3,127</u>

These are secured by fixed deposits of RM615,000 in the names of the Company and one of the shareholders, Mr. Yee Gee Min and also on the same securities mentioned under item (xi) above.

**(xvii) TAXATION**

The Company have sufficient Section 108 tax credit to enable it to distribute the entire retained profits as dividends without incurring additional tax liability. As at 30th November 2001, the Company has a balance of RM10.952 million in the tax exempt income account .

**(xviii) ESTIMATED EXPENSES OF THE FLOTATION**

The estimated expenses of RM2.5 million is charged against share premium account.

**(xvix) PROPOSED UTILISATION OF THE PROCEEDS FROM THE FLOTATION**

The estimated proceeds of RM18 million will be used as follows:

	<b>RM'000</b>
Estimated listing expenses	2,500
Repayment of bank borrowings	2,000
Working capital	<u>13,500</u>
	<u><u>18,000</u></u>

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**11. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 078320-K

**10. NET TANGIBLE ASSETS**

Based on the proforma statement of assets and liabilities of the CVB Group as at 30th November 2001, the proforma net tangible assets (NTA) per ordinary share after incorporating the adjustments for public issue and estimated cost of flotation will be as follows:

**(a) Net Tangible Assets**

	RM'000
NTA of the Proforma Group as at 30th November 2001 before public issue	114,630
Proceeds from public issue	<u>18,000</u>
	132,630
Less: Estimated cost of flotation	(2,500)
	<u><u>130,130</u></u>

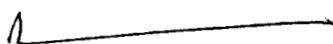
**(b) Share Capital**

	Number of Ordinary Shares of RM1.00 each
As at 30th November 2001	85,000
Public issue	15,000
Enlarged issued and paid-up share capital	<u>100,000</u>
<b>Proforma NTA per ordinary share of RM1.00 each (RM)</b>	<u><u>1.30</u></u>

**11. AUDITED ACCOUNTS**

No audited accounts have been prepared by any of the companies in respect of any period subsequent to 30th November, 2001.

Yours faithfully,



**K. S. CHUA & CO.**  
AF 0255  
Chartered Accountants



**CHUA KON SING**  
(8.01)4/5/3-416  
Proprietor

