

12. ACCOUNTANTS' REPORT (Cont'd)**5.5.1 Notes to Balance Sheet of HYB****5.5.2 Property, plant and equipment**

	As at 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying amounts						
Balance brought forward	1,901	2,032	2,092	1,756	1,595	1,748
Additions	389	371	1	46	455	19,749
Disposals	(2)	(4)	(21)	(23)	(159)	-
Written off	-	-	-	(1)	-	-
Depreciation	(256)	(307)	(316)	(183)	(143)	(181)
Balance carried forward	<u>2,032</u>	<u>2,092</u>	<u>1,756</u>	<u>1,595</u>	<u>1,748</u>	<u>21,316</u>

5.5.3 Land and development expenditure

	As at 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance brought forward	10,727	11,992	19,511	23,260	25,472	23,583
Addition	7,501	8,590	3,749	2,212	6,463	1,420
Transfer to development properties	(6,236)	(1,071)	-	-	(8,352)	-
Balance carried forward	<u>11,992</u>	<u>19,511</u>	<u>23,260</u>	<u>25,472</u>	<u>23,583</u>	<u>25,003</u>

5.5.4 Subsidiary companies

The increase in cost of investment in subsidiary companies in 1998 resulted from acquisition of additional equity interest in DNSB, Peringkat Enterprise Sdn Bhd and AISB. For the year ended 31 March 2000, HYB further increased its investment in Peringkat Enterprise Sdn Bhd for RM4.8 million in return for additional 30% equity. During the financial year ended 31 March 2001, HYB disposed of its equity interests in Peringkat Enterprise Sdn Bhd and Peringkat Management Sdn Bhd. During the financial year ended 31 March 2002, HYB acquired the remaining equity interests in PPSB and AISB and an additional 30% equity interest in GPSB, resulting in the increase in cost of investments.

5.5.5 Long term receivables

Long term receivables represent amounts outstanding from the disposals of freehold properties by certain subsidiary companies. HYB financed the disposals as it has exemption from Moneylenders Act 1951 Section 2A(2) obtained from Ministry of Housing and Local Government.

12. ACCOUNTANTS' REPORT (Cont'd)**5.5.6 Current Assets**

Current assets comprise the following:

Company	As at 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	5,449	5,443	10,173	6,025	11,121	12,623
Other receivables and prepayment	4,169	627	1,259	3,088	4,231	3,153
Inventories	278	-	15,763	5,837	-	-
Development properties	9,340	18,176	-	-	4,567	-
Amount due from ultimate holding company	2	11,690	15,190	23,929	19,154	-
Amounts due from subsidiary companies	34,784	28,200	28,052	29,985	22,664	39,639
Cash and bank balances	3,516	112	127	11	292	46
	<u>57,538</u>	<u>64,248</u>	<u>70,564</u>	<u>68,875</u>	<u>62,029</u>	<u>55,461</u>

5.5.6.1 Inventories

	As at 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost						
Completed commercial units	278	-	15,763	5,837	-	-

5.5.6.2 Development properties

	As at 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Development properties at cost	15,333	38,354	-	-	8,113	-
Proportion of profits attributable to work done to date	2,802	5,398	-	-	968	-
	<u>18,135</u>	<u>43,752</u>	<u>-</u>	<u>-</u>	<u>9,081</u>	<u>-</u>
Less: Progress billings	(8,795)	(25,576)	-	-	(4,514)	-
	<u>9,340</u>	<u>18,176</u>	<u>-</u>	<u>-</u>	<u>4,567</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (Cont'd)**5.5.6.3 Amount due from ultimate holding company**

The Company is a subsidiary company of Heng Holdings Sdn Berhad, a Company incorporated in Malaysia, which is also considered by the Directors to be the ultimate holding company. Related companies are other subsidiary companies of Heng Holdings Sdn Berhad.

The amount due from holding company was unsecured, interest free, without fixed terms of repayment and fully settled by 31 March 2002.

5.5.6.4 Amounts due from subsidiary companies

Amounts due from subsidiary companies are unsecured, interest free and without fixed terms of repayment.

5.5.7 Current Liabilities

Current liabilities comprise the following:

Company	As at 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	1,154	630	1,742	833	1,900	616
Other payables and accruals	11,890	2,263	937	711	427	10,755
Amounts due to subsidiary companies	8,304	17,091	18,016	24,108	25,130	1,091
Amounts due to associated companies	-	-	-	23	-	-
Amounts due to Directors	4,200	-	-	-	-	-
Bank borrowings	12,115	28,585	38,857	33,192	35,288	36,391
Taxation	3,060	1,428	205	-	765	773
	<u>40,723</u>	<u>49,997</u>	<u>59,757</u>	<u>58,867</u>	<u>63,510</u>	<u>49,626</u>

12. ACCOUNTANTS' REPORT (Cont'd)**5.5.7.1 Amounts due to subsidiary companies**

The amounts due to subsidiary companies are unsecured, interest free and without fixed terms of repayment. However, from year 2001 onwards, interest cost incurred on the Company's revolving credit facilities, utilised to finance acquisition of property and development expenditure by the subsidiary companies are allocated directly to the subsidiary companies for the portion incurred. The rates of interest allocated is at 2% per annum above the base lending rate of the lending bank.

5.5.7.2 Amounts due to Directors

The amounts due to Directors are unsecured, interest free and without fixed terms of repayment.

5.5.7.3 Bank borrowings

	As at 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank overdraft	-	1,435	5,329	94	-	752
Revolving credit	12,115	21,733	33,528	33,098	35,288	35,639
Term loan	-	5,417	-	-	-	-
	12,115	28,585	38,857	33,192	35,288	36,391

12. ACCOUNTANTS' REPORT (Cont'd)

AF: 0039

5.6 Consolidated cash flow statements

	Financial year ended 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before taxation	13,918	4,884	10,589	10,473	14,593	24,008
Adjustments for:						
(Gain)/Loss on disposal of						
- property, plant and equipment	1	50	38	(19)	(65)	(40)
- leasehold land	-	-	-	-	(9,542)	-
- associated companies	-	-	-	-	(137)	-
- investments	(389)	-	-	-	(23)	-
- a subsidiary company	4,009	1,897	-	(4,919)	1	-
Share of results of associated company	(1,914)	(716)	(1,978)	75	-	-
Depreciation of property, plant and equipment	510	494	494	338	299	494
Write off of:						
- property, plant and equipment	2	-	3	1	7	-
- pre-operating expenses	4	-	-	48	-	-
- preliminary expenses	1	-	-	10	-	-
Interest income	(829)	(185)	(40)	(119)	(207)	(881)
Interest expense	573	402	41	675	246	972
Profit before working capital changes	15,886	6,826	9,147	6,563	5,172	24,553
Changes in working capital:						
Receivables	(15,157)	3,984	(12,385)	5,233	(16,508)	(5,685)
Amounts due from customer for contract works	(1,598)	26,713	-	-	(3,528)	(230)
Inventories	(278)	(304)	(14,888)	9,766	4,894	176
Development properties	1,526	(38,132)	22,554	-	9,931	(5,477)
Holding and related companies	9,076	(11,688)	(2,396)	(9,116)	5,887	19,154
Directors	5,483	(4,200)	350	-	(350)	-
Payables	31,751	3,879	(4,601)	(3,203)	6,214	23,123
Cash generated from/(used in) operation	46,689	(12,922)	(2,219)	9,243	11,712	55,614
Tax paid	(5,362)	(2,834)	(4,385)	(1,530)	(2,015)	(7,147)
Pre-operating expenses paid	(5)	(5)	(1)	(2)	-	-
Interest received	829	185	40	119	207	881
Interest paid	(573)	(402)	(41)	(675)	(2,717)	(4,081)
Net cash from/(used in) operating activities	41,578	(15,978)	(6,606)	7,155	7,187	45,267

12. ACCOUNTANTS' REPORT (Cont'd)



5.6 Consolidated cash flow statements (Contd.)

	Financial year ended 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Land and development expenditure	(8,706)	(6,452)	(5,181)	(1,134)	(20,502)	(11,343)
Farm development expenditure	(166)	-	-	-	-	-
Disposals of subsidiary companies net of cash disposed	3,702	3,565	-	5,197	11,036	-
Proceeds from disposal of						
- quoted investment	-	-	-	-	4,198	-
- other investment	6,350	-	-	-	-	-
- associated company	-	-	-	-	1,322	-
- leasehold land	-	-	-	-	13,929	-
- property, plant and equipment	2	65	53	43	252	40
Proceeds from partial disposal of shares in subsidiary companies	1	-	-	-	-	-
Dividends received	788	-	-	-	-	-
Dividends from associated company	-	1,136	454	2,107	-	-
Acquisitions of						
- other investment	(2,456)	-	-	-	-	-
- investment of associated companies	-	(750)	-	-	-	-
- additional shares in subsidiary companies	(7,006)	(1,151)	-	(4,800)	(6,305)	(15,430)
- subsidiary companies net of cash acquired	(10,013)	-	-	-	-	-
- property, plant and equipment	(37,906)	(6,465)	(495)	(865)	(1,908)	(4,543)
Net cash (used in)/from investing activities	(55,410)	(10,052)	(5,169)	548	2,022	(31,276)

12. ACCOUNTANTS' REPORT (Cont'd)



AF: 0039

5.6 Consolidated cash flow statements (Contd.)

	Financial year ended 31 March					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of						
- revolving loan	-	(8,281)	(8,236)	(430)	(850)	(2,819)
- bridging loan	(1,065)	-	-	-	-	-
- term loan	(499)	(8,629)	(7,824)	(21)	(1,997)	(5,333)
Drawdown of						
- revolving loan	12,115	17,900	20,030	-	3,040	3,170
- bridging loan	609	-	-	-	-	-
- term loan	500	12,600	2,400	-	8,000	-
Payment of hire purchase payable	(48)	(49)	-	-	-	(35)
Dividends paid	(1,400)	(1,540)	(440)	(734)	(17,782)	(11,107)
Proceeds from issue of shares to:						
- shareholders of the Company	1,000	4,800	-	-	-	-
- minority interest	-	387	460	-	-	-
Dividends paid to minority interest	-	-	-	-	(204)	(199)
Net cash from/(used in) financing activities	11,212	17,188	6,390	(1,185)	(9,793)	(16,323)
Net (decrease)/increase in cash and cash equivalents	(2,620)	(8,842)	(5,385)	6,518	(584)	(2,332)
Cash and cash equivalents as at 1 April	10,362	7,742	(1,100)	(6,485)	33	(551)
Cash and cash equivalents as at 31 March	7,742	(1,100)	(6,485)	33	(551)	(2,883)
Cash and cash equivalents as at 31 March comprise the following balance sheet amounts:						
Cash and bank balances	7,722	267	284	127	1,127	1,482
Deposits with licensed banks	20	68	-	-	-	-
Bank overdrafts	-	(1,435)	(6,769)	(94)	(1,678)	(4,365)
	7,742	(1,100)	(6,485)	33	(551)	(2,883)

12. ACCOUNTANTS' REPORT (Cont'd)**6. STATEMENT/PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The following statement of assets and liabilities has been prepared based on the audited financial statements of the Group as at 31 March 2002. The proforma statement of assets and liabilities is also presented, for illustrative purposes only, to show the effects of Public Issue as set out in Note 1 to this Report. The statement/proforma statements of assets and liabilities should be read in conjunction with the notes thereto:

	Note	Group Audited as at 31 March 2002 RM'000	Proforma Group Audited as at 31 March 2002 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	6.3	35,485	35,485
Land and development expenditure	6.4	79,157	79,157
Goodwill on consolidation	6.5	11,730	11,730
Long term receivables	6.6	3,850	3,850
Deferred taxation	6.7	677	677
		<u>130,899</u>	<u>130,899</u>
CURRENT ASSETS			
Inventories	6.8	634	634
Development properties	6.9	33,193	33,193
Trade receivables	6.10	29,723	29,723
Other receivables, deposits and prepayments	6.11	4,396	1,896
Cash and bank balances	6.12	1,482	6,506
		<u>69,428</u>	<u>71,952</u>
CURRENT LIABILITIES			
Trade payables		33,895	33,895
Other payables and accruals	6.13	11,761	9,261
Bank borrowings	6.14	40,005	25,000
Taxation		2,590	2,590
		<u>88,251</u>	<u>70,751</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(18,823)</u>	<u>1,201</u>
		<u>112,076</u>	<u>132,100</u>
SHAREHOLDERS' EQUITY			
Share capital	6.15	77,129	90,000
Share premium	6.16	-	7,153
Reserves	6.17	20,302	20,302
		<u>97,431</u>	<u>117,455</u>
Minority Interests		143	143
LONG TERM LIABILITIES	6.18	<u>14,502</u>	<u>14,502</u>
		<u>112,076</u>	<u>132,100</u>

12. ACCOUNTANTS' REPORT (Cont'd)



6.1 Significant Accounting Policies and Notes To Statement/Proforma Statement of Assets and Liabilities

6.2 Significant Accounting Policies

(a) Basis of preparation

The financial statements are prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies, and comply with applicable approved accounting standards issued by the MASB and the provisions of the Companies Act 1965.

(b) Basis of consolidation

The Group's financial statements consolidate the audited financial statements of HYB and its subsidiary companies, which have been prepared in accordance with the Group's accounting policies and drawn up to the same reporting date.

A subsidiary company is an enterprise that is controlled by HYB. Control is the power to govern the financial and operating policies of HYB so as to obtain benefits from its activities. Investment in subsidiary companies is stated at cost unless in the opinion of the Directors there has been a permanent diminution in value in which case provision is made for the diminution in value.

Subsidiary companies are consolidated using the acquisition method of accounting from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The difference between the cost of acquisition and the fair value of the subsidiary companies' net assets is reflected as goodwill or reserves on consolidation as appropriate.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered.

(c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the book value of the identifiable assets and liabilities of a subsidiary company at the date of acquisition. Goodwill is recognised as an asset and is not amortised but is reviewed annually for impairment in value and written down where it is considered necessary.

Conversely, reserve arising from consolidation, which represents the excess of the fair value of the identifiable assets and liabilities of a subsidiary company over the cost of acquisition, is taken to reserve.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

12. ACCOUNTANTS' REPORT (Cont'd)**(d) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses foreseeable where applicable. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed the estimated recoverable amounts, impairment losses are provided to write these assets down to their recoverable amounts.

Freehold land is not amortised. Leasehold land with unexpired lease term of 99 years is amortised evenly over its lease term of 99 years. Certain leasehold land has not been amortised as the title deed has yet to be issued by the relevant authority. Pending issuance of the title, the Directors do not anticipate amortisation of the leasehold land to be material.

Other property, plant and equipment are depreciated at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life as follows:

	%
Buildings	2
Farm equipment, machinery, cabin and electrical installation	10-20
Furniture, fittings, office equipment and renovation	10-20
Motor vehicles	20

Assets held under hire purchase schemes are depreciated over their expected useful lives on the same basis as owned assets.

Assets in the course of construction are carried at cost, less any impairment loss where the recoverable amount of the assets is estimated to be lower than its carrying amount. Cost includes borrowing costs dealt with in accordance with HYB's and the Group's accounting policy. Depreciation of such asset commences when the asset is ready for its intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is taken to the income statement.

Property, plant and equipment depreciated to a nominal value of RM1 each are retained in the financial statements until they are no longer in use.

12. ACCOUNTANTS' REPORT (Cont'd)

**(e) Land and development expenditure**

This is stated at cost and reflected as long-term assets unless significant development has been undertaken and is expected to be completed within the normal operating cycle, in which case, such land and development expenditure will then be reclassified to development properties.

(f) Development properties

This is stated at aggregate costs of development incurred up to balance sheet date and includes profit or loss recognised on each development project and compared against progress billings receivable up to balance sheet date. Costs include cost of land, infrastructure, building and other related development expenditure.

Profit accruing on a development project is accounted for on the percentage of completion method when the development work has progressed to a stage where the profit can be reliably measured. The percentage of completion is measured by reference to the actual accumulated cost of development as at the balance sheet date compared to the total estimated cost of development. Full allowance is made for anticipated losses.

(g) Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are dealt with in the income statement in the period in which they are incurred.

(h) Inventories

Inventories of completed properties are valued at the lower of cost and net realisable value with cost comprising land cost and development expenditure incurred thereon.

(i) Receivables

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

(j) Hire purchase

Assets held under hire purchase contracts, which are those where substantially all risks and rewards of ownership of the assets have passed to HYB, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the hire purchase obligations is charged to the income statement over the period of the hire purchase and represents a constant proportion of the balance of capital repayments outstanding.

12. ACCOUNTANTS' REPORT (Cont'd)



(k) Revenue recognition

Dividend income from subsidiary companies are recognised when the right to receive the dividend is established.

Revenue from property development or construction contracts is recognised when persuasive evidence suggest that sales arrangement have been concluded with collectibility reasonably assured, development or construction work has commenced, and the financial outcome of the development and construction work can be estimated. Such revenue is recognised using the percentage of completion method determined by reference to the proportion of actual cost incurred against estimated total cost of development or contract.

Revenue from sale of completed property units and land is recognised when the risk and rewards associated with ownership has transferred to the purchaser with no further substantial contractual acts to complete.

Revenue from sale of agricultural products is recognised upon acceptance of delivery.

Administrative fee, management fee and secretarial fee are recognised over the period where such services are provided.

Interest income is recognised when the right to receive such interest is established.

Rental income is recognised over the period of tenancy.

(l) Deferred taxation

Deferred taxation is provided for on all material timing differences using the liability method except where it can be demonstrated with reasonable probability that the tax deferrals will continue in the foreseeable future.

Deferred tax benefits are not recognised in the financial statements unless there is a reasonable expectation of realization.

(m) Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

12. ACCOUNTANTS' REPORT (Cont'd)**6.3 Property, Plant And Equipment**

As at 31 March 2002	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Group			
Freehold land	20,650	-	20,650
Long term leasehold land	6,761	7	6,754
Buildings	650	98	552
Farm equipment, machinery, cabin and electrical installation	52	48	4
Furniture, fittings, office equipment and renovation	1,300	573	727
Motor vehicles	2,870	2,070	800
Capital work-in-progress	5,998	-	5,998
	38,281	2,796	35,485

HYB entered into a sale and purchase agreement on 16 March 2001 for the acquisition of a parcel of freehold land for a total consideration of RM19,608,388. The Directors are of the opinion that the acquisition should be recognised as HYB has substantially completed the conditions precedent stipulated in the said agreement and consider the remaining unfulfilled conditions as mere formality. A payment of 20% of the consideration payable has been made towards this acquisition.

Motor vehicles of the Group with an aggregate carrying amount of RM218,167 are acquired under hire purchase arrangement.

The title deed of certain freehold and leasehold land with aggregate carrying amounts of RM26,612,622 have yet to be registered in HYB's and its subsidiary companies' name.

Freehold land and buildings belonging to HYB with a carrying amount of RM1,216,451 are charged as securities for banking facilities obtained.

12. ACCOUNTANTS' REPORT (Cont'd)**6.4 Land And Development Expenditure**

	Group RM'000
Leasehold land	9,511
Freehold land	33,169
Development expenditure	<u>36,477</u>
	<u>79,157</u>

Capitalised in development expenditure during the financial year ended 31 March 2002 is interest cost of RM1,850,394.

Certain freehold and leasehold land belonging to subsidiary companies with carrying amount of RM14,489,570 are charged as security for banking facilities granted to HYB and certain subsidiary companies.

Certain freehold and leasehold land belonging to subsidiary companies with carrying amount of RM1,008,520 are held in trust by HYB.

6.5 Goodwill On Consolidation

	Group RM'000
Balance as at 31 March 2002	<u>11,730</u>

6.6 Long Term Receivables

	Group RM'000
Amounts receivable	10,190
Less: Current portion of long term receivables (Note 6.10)	<u>(6,340)</u>
Balance as at 31 March 2002	<u>3,850</u>

The long term receivables arose from a financing scheme granted by HYB to purchasers for the purchase of a piece of leasehold land and orchard land from its subsidiary companies. HYB is able to finance these deals as it has exemption from the Moneylenders Act 1951 Section 2A (2) obtained from Ministry of Housing and Local Government.

12. ACCOUNTANTS' REPORT (Cont'd)**6.7 Deferred Taxation****Group
RM'000**

In respect of taxation paid in advance on unrealised profit arising
from inter-company transactions in prior years

677

6.8 Inventories

Completed commercial units
Completed residential units

400

234

634

6.9 Development Properties

Leasehold land
Freehold land
Development expenditure

1,312

6,694

68,519

76,525

Attributable profit

24,071

Less: Progress billings

(67,403)

33,193

Capitalised in development expenditure during the financial year ended 31 March 2002 is interest expense of RM1,259,478.

Certain land with carrying amounts of RM2,474,645 are charged as security for banking facilities granted to HYB and certain subsidiary companies.

12. ACCOUNTANTS' REPORT (Cont'd)**6.10 Trade Receivables**

	Group RM'000
Trade receivables	23,383
Current portion of long term receivables (Note 6.6)	<u>6,340</u>
	<u><u>29,723</u></u>

Included in trade receivables is an amount of approximately RM222,000 owing by a utility company to a subsidiary company for acquiring land on compulsory basis in prior years. Although this amount has been long overdue, the Directors, after taking consideration of all available information, are confident of its ultimate recovery. Accordingly, no provision for doubtful recovery has been made in respect of this amount in the financial statements.

6.11 Other Receivables, Deposits and Prepayments

	Group RM'000	Proforma Group RM'000
Balance as at 31 March 2002	4,396	4,396
Proforma Adjustments:		
- Deferred listing expenses written off against share premium account	<u>-</u>	<u>(2,500)</u>
Adjusted balance as at 31 March 2002	<u><u>4,396</u></u>	<u><u>1,896</u></u>

Included in other receivables is an overdue amount of RM317,952 owing by a third party which represents a deposit paid for a proposed acquisition of land which did not materialise. HYB has commenced legal action to recover this amount and the Directors are confident of ultimate recovery. Accordingly, no provision for doubtful recovery has been made in respect of this amount in the financial statements.

The proforma adjustment relates to the writing off of deferred listing expenses of approximately RM2,500,000 against the share premium account.

12. ACCOUNTANTS' REPORT (Cont'd)**6.12 Cash And Bank Balances**

	Group RM'000	Proforma Group RM'000
Cash and bank balances as at 31 March 2002	1,482	1,482
Proforma Adjustments:		
- Proceeds receivable from Public Issue	-	22,524
- Payment for settlement of listing expenses	-	(2,500)
- Payments of bank borrowings	-	(15,000)
	-	5,024
Adjusted balance as at 31 March 2002	<u>1,482</u>	<u>6,506</u>

Included herein is cash at bank amounting to RM1,303,520 which is held under Housing Development Accounts pursuant to Section 7A of the Housing Developers (Control and Licensing) Act 1966.

The proforma adjustments relates to the proceeds received from the Public Issue as detailed in Note 1 to this Report. A portion of the proceeds used to settle listing expenses and bank borrowings as detailed above.

6.13 Other Payables and Accruals

	Group RM'000	Proforma Group RM'000
Other payables	6,924	6,924
Current portion of deferred payable (Note 6.18(a))	3,922	3,922
Accruals	663	663
Advances from a shareholder	199	199
Hire purchase payables (Note 6.18(b))	53	53
Other payables and accruals as at 31 March 2002	<u>11,761</u>	<u>11,761</u>
Proforma Adjustment:		
- Payments for settlement of listing expenses	-	(2,500)
Adjusted balance as at 31 March 2002	<u>11,761</u>	<u>9,261</u>

The proforma adjustment relates to the settlement of listing expenses accrued for.

12. ACCOUNTANTS' REPORT (Cont'd)



6.14 Bank Borrowings

	Group RM'000	Proforma Group RM'000
Bank overdrafts	4,365	4,365
Revolving credits	35,640	35,640
	40,005	40,005
Proforma Adjustment:		
- Payments of bank borrowings	-	(15,000)
Adjusted balance as at 31 March 2002	40,005	25,005

The overdraft facilities of certain subsidiary companies bear interest at rates ranging from 1.75% to 2.5% (2001 – 1.75% to 2.5%) per annum above the base lending rates of the lending banks. These are secured by the following:

- i) Legal charge over HYB's freehold property and third party charges over a piece of vacant land belonging to one of its subsidiary companies.
- ii) Joint and several guarantees of the Directors of the subsidiary company and holding company and a person related to certain Directors of the Group.

The revolving credits facilities with a limit of RM37 million bear interest at 2% (2001 – 2%) per annum above the base lending rate of the lending bank and are secured by first legal third party charges over land belonging to certain subsidiary companies and land registered in the name of a third party.

The proforma adjustment relates to the part repayment of borrowings using RM15million of proceeds from the Public Issue as detailed in Note 1 to this Report.

6.15 Share Capital

	Group RM'000	Proforma Group RM'000
Authorised		
50,000,000 ordinary shares of RM1.00 each	50,000	50,000
Creation of 450,000,000 ordinary shares of RM1.00 each	450,000	450,000
Adjusted balance as at 31 March 2002	500,000	500,000
Issued and fully paid-up		
12,230,000 ordinary shares of RM1.00 each	12,230	12,230
Bonus Issue	64,899	64,899
	77,129	77,129
Proforma Adjustments:		
- Public Issue	-	12,871
Adjusted balance as at 31 March 2002	77,129	90,000

12. ACCOUNTANTS' REPORT (Cont'd)**6.15 Share Capital (Contd.)**

The issued and paid-up share capital has been adjusted to take into account the Public Issue of 12,871,000 new ordinary shares of RM1.00 each at an issue price of RM1.75 per share comprising the following:

- i) 2,832,000 new ordinary shares of RM1.00 each available for application by Directors and eligible employees of the Group;
- ii) 8,000,000 new ordinary shares of RM1.00 each by way of placement; and
- iii) 2,039,000 new ordinary shares of RM1.00 each available for application by the Malaysian Public.

6.16 Share Premium

	Group RM'000	Proforma Group RM'000
Share premium as at 31 March 2001	8,610	8,610
Less: Capitalised for Bonus Issue	(8,610)	(8,610)
Balance as at 31 March 2002	-	-
Proforma Adjustments:		
- Arising from Public Issue	-	9,653
- Write-off of estimated share listing expenses	-	(2,500)
	-	(1,457)
Adjusted balance as at 31 March 2002	-	7,153

The share listing expenses estimated at RM2,500,000 is written off against the share premium arising therefrom.

12. ACCOUNTANTS' REPORT (Cont'd)**6.17 Reserves**

	Group RM'000
Distributable reserve	19,499
Non-distributable reserves	
- Capital redemption reserve	500
- Reserve on consolidation	303
Total non-distributable reserves	<u>803</u>
Balance as at 31 March 2002	<u>20,302</u>

The capital redemption reserve arose from redemption of 5,000,000 redeemable preference shares of RM0.10 each in year ended 1998 and can be applied in paying up unissued shares of HYB to be issued to members of HYB as fully paid bonus shares.

Reserve on consolidation comprises reserve arising on acquisition of subsidiary companies.

6.18 Long Term Liabilities

		Group RM'000
Deferred payables	(a)	11,764
Hire purchase	(b)	71
Term loan	(c)	<u>2,667</u>
		<u>14,502</u>
(a) Deferred payables		
Consideration payable		19,608
Less: Amount paid		<u>(3,922)</u>
Balance payable		15,687
Payable within a year (Note 6.13)		<u>(3,922)</u>
Balance payable later than 1 year but within 4 years		<u>11,764</u>

The amount owing to deferred payables related to purchase of freehold land.

12. ACCOUNTANTS' REPORT (Cont'd)**6.18 Long Term Liabilities (Contd.)****(b) Hire purchase**

	Group RM'000
Hire purchase liability	144
Finance charge	(20)
Present value of hire purchase facility	<u>124</u>
Represented by:	
Payable not later than 1 year (Note 6.13)	71
Payable later than 1 year and not later than 5 years	<u>53</u>
	<u>124</u>

(c) Term loan

Balance brought forward	8,000
Repayment during the year	<u>(5,333)</u>
Balance carried forward	<u>2,667</u>

The term loans of the Group which bear interest at 2.5% (2001 – 2.5%) per annum above the lending financial institution's base lending rate calculated on a monthly rest basis, are secured by:

- i) Legal charges over certain leasehold land held under development of the Group;
- ii) Corporate guarantee from HYB

and are repayable as follows:

- i) By way of redemption of property titles based on redemption sum; or
- ii) By 4 quarterly principal instalments of RM750,000 and RM1,250,000 each commencing March 2003 and December 2002 respectively;

whichever is earlier.

6.19 Holding Company

HYB is a subsidiary company of Heng Holdings Sdn Berhad, a Company incorporated in Malaysia, which is also considered by the Directors to be the ultimate holding company. Related companies are other subsidiary companies of Heng Holdings Sdn Berhad.

12. ACCOUNTANTS' REPORT (Cont'd)



6.20 Contingent Liabilities

Group

Late payment interest of approximately RM1,256,604 was imposed by the vendor on the unpaid balance of purchase consideration of a subsidiary company's purchase of leasehold land. The subsidiary company has appealed against the imposition of the late payment interest and the outcome of the appeal is still pending as at 31 March 2002. The Directors of the subsidiary company are of the opinion that the liability is unlikely to crystallise as the vendor has no grounds to impose late payment interest as certain conditions in the Sale and Purchase Agreement were not complied with by the vendor.

Company

- i) HYB stands as guarantor for term loans and bank overdraft facilities of RM8,000,000 and RM2,000,000 respectively granted to its subsidiary companies. The amounts outstanding as at 31 March 2002 in respect of these facilities are RM2,666,703 and RM668,000 respectively. In addition, HYB and its subsidiaries utilized RM1,046,600 of a bank guarantee facility offered.
- ii) A third party has taken legal action against HYB to recover RM1,360,000 being interest on payment due for alleged late delivery of land titles to the third party by HYB. The potential liability of RM1,360,000 has not been accrued for in the financial statements as the Directors are of the opinion that it is unlikely that the third party will be successful in its claim.

6.21 Capital Commitment

	Group RM'000
Approved but not contracted for	900

12. ACCOUNTANTS' REPORT (Cont'd)**7. PROFORMA NET TANGIBLE ASSETS COVER**

Based on the statement of assets and liabilities of the Group as at 31 March 2002, the proforma net tangible assets (NTA) cover per share is calculated as follows:-

	(A) Based on audited financial statements as at 31 March 2002 RM'000	After incorporating Public Issues of shares RM'000
NTA per statement of assets and liabilities	85,701	85,701
Adjustments for:		
• Proceeds from Public Issue of 12,871,000 new ordinary shares of RM1.00 each at an issue price of RM1.75 per ordinary share	-	22,524
• Less: Estimated listing expenses	-	(2,500)
Adjusted NTA	85,701	105,725
Number of issued and paid-up shares ('000)	77,129	77,129
Adjusted for:		
• Public Issue of 12,871,000 new ordinary shares of RM1.00 each at an issue price of RM1.75 per ordinary share	-	12,871
Adjusted number of shares ('000)	77,129	90,000
Net Tangible Assets Cover per ordinary share (RM)	1.11	1.17

Estimated share-listing expenses of RM2.5million relating to the Public Issue of 12,871,000 new ordinary shares of RM1.00 each at an issue price of RM1.75 per ordinary share have been debited against share premium.

12. ACCOUNTANTS' REPORT (Cont'd)



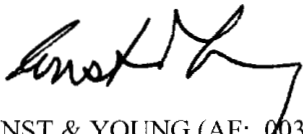
8. SUBSEQUENT EVENT

There were no significant events subsequent to 31 March 2002 up to the date of this Report.

9. AUDITED FINANCIAL STATEMENTS

No audited financial statements of HYB and its subsidiary companies have been made up in respect of any period subsequent to 31 March 2002.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ernst & Young' written in a cursive style.

ERNST & YOUNG (AF: 0039)
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Leong Keng Yuen' written in a cursive style.

LEONG KENG YUEN - 1851/09/03 (J)
Partner