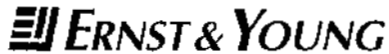


## IX. ACCOUNTANTS' REPORT (Cont'd)



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## iv) NTPP

	← 30 April 2002 →					30 September
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>						
PLANT AND EQUIPMENT	234	231	124	315	165	187
INTANGIBLE ASSET	84	70	56	42	28	22
INVESTMENTS		-	-	-	18	18
	<u>318</u>	<u>301</u>	<u>180</u>	<u>357</u>	<u>211</u>	<u>227</u>
<b>CURRENT ASSETS</b>						
Inventories	235	173	190	202	247	315
Trade receivables	12,628	9,964	6,266	6,050	11,226	6,632
Other receivables, deposits and prepayments	102	85	58	249	364	362
Cash and bank balances	1,940	362	380	760	831	927
	<u>14,905</u>	<u>10,584</u>	<u>6,894</u>	<u>7,261</u>	<u>12,668</u>	<u>8,236</u>
<b>CURRENT LIABILITIES</b>						
Trade payables	5	32	42	30	44	-
Other payables and accrual	42	31	131	268	282	163
Due to holding company	13,057	9,401	5,407	4,977	8,324	4,082
Taxation	-	-	16	268	670	332
	<u>13,104</u>	<u>9,464</u>	<u>5,596</u>	<u>5,543</u>	<u>9,320</u>	<u>4,577</u>
<b>NET CURRENT ASSETS</b>	<u>1,801</u>	<u>1,120</u>	<u>1,298</u>	<u>1,718</u>	<u>3,348</u>	<u>3,659</u>
	<u>2,119</u>	<u>1,421</u>	<u>1,478</u>	<u>2,075</u>	<u>3,559</u>	<u>3,886</u>
<b>FINANCED BY:</b>						
Share capital	35	35	35	35	35	35
Retained profits	2,084	1,386	1,443	2,025	3,515	3,842
Shareholder's fund	<u>2,119</u>	<u>1,421</u>	<u>1,478</u>	<u>2,060</u>	<u>3,550</u>	<u>3,877</u>
<b>DEFERRED TAXATION</b>						
	-	-	-	15	9	9
	<u>2,119</u>	<u>1,421</u>	<u>1,478</u>	<u>2,075</u>	<u>3,559</u>	<u>3,886</u>
Net Tangible Assets per share (SGD)	12.7	15.5	20.8	32.1	54.5	58.8
Net Tangible Assets per share (RM)	67.8	45.0	47.4	67.3	117.4	128.5

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

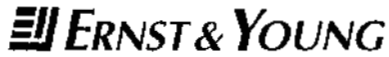


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## v) NTPC

	← 30 April 2002 →					30
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>September</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>CURRENT ASSETS</b>						
Due from a fellow subsidiary	967	967	966	961	953	949
Cash and bank balances	2	2	2	-	-	-
	<u>969</u>	<u>969</u>	<u>968</u>	<u>961</u>	<u>953</u>	<u>949</u>
<b>CURRENT LIABILITIES</b>						
Other payables and accruals	3	6	9	6	2	2
	<u>966</u>	<u>963</u>	<u>959</u>	<u>955</u>	<u>951</u>	<u>947</u>
<b>NET CURRENT ASSETS</b>	<u>966</u>	<u>963</u>	<u>959</u>	<u>955</u>	<u>951</u>	<u>947</u>
<b>FINANCED BY:</b>						
Share capital	1,000	1,000	1,000	1,000	1,000	1,000
Accumulated losses	(34)	(37)	(41)	(45)	(49)	(53)
Shareholder's fund	<u>966</u>	<u>963</u>	<u>959</u>	<u>955</u>	<u>951</u>	<u>947</u>
Net Tangible Assets per share (RM)	1.0	1.0	1.0	1.0	1.0	1.0

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



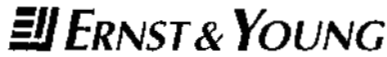
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## vi) H-Link

	← 30 April 2002 →					30
	1998	1999	2000	2001	2002	September 2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSET</b>						
PLANT AND EQUIPMENT	-	615	461	37	-	-
<b>CURRENT ASSETS</b>						
Other receivables, deposits and prepayments	100	1,995	263	364	246	197
Due from related companies	-	-	880	1,167	1,313	1,356
Cash and bank balances	-	-	2	2	2	2
	100	1,995	1,145	1,533	1,561	1,555
<b>CURRENT LIABILITY</b>						
Other payables and accruals	105	2,629	14	9	5	1
<b>NET CURRENT (LIABILITIES)/ASSETS</b>						
	(5)	(634)	1,131	1,524	1,556	1,554
	(5)	(19)	1,592	1,561	1,556	1,554
<b>FINANCED BY:</b>						
Share capital	*	*	2,000	2,000	2,000	2,000
Accumulated losses	(5)	(19)	(408)	(439)	(444)	(446)
Shareholder's deficit/fund	(5)	(19)	1,592	1,561	1,556	1,554
(Net Liabilities)/Net Tangible Assets per share (RM)	(2,500)	(9,500)	0.8	0.8	0.8	0.8

\* The paid-up share capital is 2 units ordinary share of RM 1 each.

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

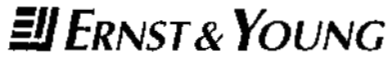


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## vii) Jia In

	← As at 30 September →			30 April	30 April	30
	1998	1999	2000	2001	2002	September
	RM'000	RM'000	RM'000	RM'000	RM'000	2002
<b>NON-CURRENT ASSETS</b>						
<b>PROPERTY, PLANT AND EQUIPMENT</b>						
INVESTMENTS	1,683	1,516	1,222	2,022	1,510	1,401
	43	46	46	46	46	46
	<u>1,726</u>	<u>1,562</u>	<u>1,268</u>	<u>2,068</u>	<u>1,556</u>	<u>1,447</u>
<b>CURRENT ASSETS</b>						
Inventories	20	28	169	132	152	206
Trade receivables	74	222	34	65	9	10
Other receivables, deposits and prepayments	186	218	424	106	140	156
Due from holding company	-	-	234	-	-	430
Fixed deposit with licensed banks	518	548	583	594	-	-
Cash and bank balances	2	9	5	2	198	238
	<u>800</u>	<u>1,025</u>	<u>1,449</u>	<u>899</u>	<u>499</u>	<u>1,040</u>
<b>CURRENT LIABILITIES</b>						
Short term borrowings (secured)	390	489	588	464	32	29
Trade payables	224	440	233	244	215	230
Other payables and accruals	549	268	154	239	61	64
Due to holding company	211	180	-	196	108	-
Due to directors	-	1	45	45	14	-
Taxation	5	-	32	32	25	9
	<u>1,379</u>	<u>1,378</u>	<u>1,052</u>	<u>1,220</u>	<u>455</u>	<u>332</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	<u>(579)</u>	<u>(353)</u>	<u>397</u>	<u>(321)</u>	<u>44</u>	<u>708</u>
	<u>1,147</u>	<u>1,209</u>	<u>1,665</u>	<u>1,747</u>	<u>1,600</u>	<u>2,155</u>
<b>FINANCED BY:</b>						
Share capital	393	600	600	600	600	600
Retained profits	553	521	1,015	1,077	964	1,029
Shareholder's fund	<u>946</u>	<u>1,121</u>	<u>1,615</u>	<u>1,677</u>	<u>1,564</u>	<u>1,629</u>
TERM LOAN	32	27	24	22	16	515
HIRE PURCHASE PAYABLES	169	61	26	48	20	11
	<u>201</u>	<u>88</u>	<u>50</u>	<u>70</u>	<u>36</u>	<u>526</u>
	<u>1,147</u>	<u>1,209</u>	<u>1,665</u>	<u>1,747</u>	<u>1,600</u>	<u>2,155</u>
Net Tangible Assets per share (RM)	2.4	1.9	2.7	2.8	2.6	2.7

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

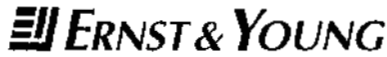


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## 9. STATEMENT OF ASSETS AND LIABILITIES

We set out below the statement of assets and liabilities of the Company and the Group based on the audited financial statements of NTHB Group as at 30 September 2002, after making such reclassification that we considered necessary. The statement is to be read in conjunction with the notes thereon.

	Note	Company RM'000	Group RM'000
<b>NON CURRENT ASSETS</b>			
PROPERTY, PLANT AND EQUIPMENT	9.3	-	109,938
SUBSIDIARIES	9.4	88,889	-
OTHER INVESTMENTS	9.5	-	104
		<u>88,889</u>	<u>110,042</u>
<b>CURRENT ASSETS</b>			
Inventories	9.6	-	18,433
Trade receivables	9.7	-	30,317
Other receivables	9.8	141	3,662
Cash and bank balances		16	5,662
		<u>157</u>	<u>58,074</u>
<b>CURRENT LIABILITIES</b>			
Short term borrowings (secured)	9.9	-	21,155
Trade payables		-	10,519
Other payables and accruals	9.10	2,324	11,422
Taxation		-	5,438
		<u>2,324</u>	<u>48,534</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(2,167)</u>	<u>9,540</u>
		<u>86,722</u>	<u>119,582</u>
<b>FINANCED BY:</b>			
Share capital	9.12	3,891	3,891
Capital reserve	9.13	-	17,118
Share premium		-	318
Revaluation reserve	9.14	83,481	19,395
(Accumulated losses)/ Retained profits		(650)	66,394
Shareholders' fund		<u>86,722</u>	<u>107,116</u>
LONG TERM BORROWINGS	9.15	-	957
DEFERRED TAXATION	9.16	-	10,657
MINORITY INTERESTS		-	652
RESERVE ON CONSOLIDATION	9.17	-	200
		<u>86,722</u>	<u>119,582</u>
Net Tangible Assets		86,722	107,316
Net Tangible Assets per share (RM)		<u>22.3</u>	<u>27.6</u>



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## 9.1 FINANCIAL RISK MANAGEMENT POLICY

The Group is exposed to a variety of financial risks, including the effect of changes in foreign currency exchange rates, interest rates, market, credit and liquidity and cash flow risk. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing these risks. The Group operates within clearly defined guidelines that are approved by the Board and are regularly reviewed and updated to take into account the changes in the operating environment.

The Group's policy in respect of the major areas of treasury activity is set out as follows:

### (i) Currency risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by a subsidiary other than its functional currency. The subsidiary matches three months expected receivables in foreign currency against the expected payables in foreign currency within the same period. The subsidiary enters into foreign currency forward contracts for the net exposure in foreign currency to mitigate the exposure to the currency risk as to the monetary assets and liabilities of the subsidiary.

### (ii) Interest rate risk

The Group is exposed to interest rate risk for changes in interest rates primarily for debt obligation and placement in the money market. The Group's policy is to maintain a mix of fixed and variable rate debt instruments. The objectives for a mix between fixed and variable rate borrowings are to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

### (iii) Market risk

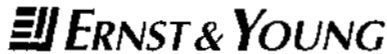
Market risk arises from adverse movements in the level and volatility of market factors such as interest rates, foreign exchanges rate risk and commodity prices. Market risks are managed through a set of policies, procedures and limits to support the delivery of the Group's financial targets while protecting the Group's future financial security and flexibility.

### (iv) Credit risk

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimised and monitored via strictly limiting our associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures and periodic review of their financial status. Counter parties are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security.

### (v) Liquidity and cash flow risk

Prudent liquidity management requires the Group to maintain sufficient cash, internally generated cash flow, and the availability of funding resources through an adequate amount of committed credit facilities. Due to the dynamic nature of business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time. Also, the objective for debt maturities is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.



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## 9.2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

### (a) Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and applicable approved accounting standards in Malaysia.

### (b) Revenue Recognition

#### (i) Sale of goods

Revenue relating to sale of goods is recognised net of sales tax, return and discounts when transfer of risks and rewards has been completed.

#### (ii) Dividend income

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

### (c) Basis of Consolidation

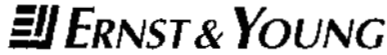
Consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. Companies acquired or disposed are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Subsidiaries are consolidated using merger method of accounting except for certain subsidiaries, i.e. H-Link Sdn. Bhd and Jia In Sdn. Bhd, which were consolidated using acquisition method of accounting.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

Under the acquisition method, the differences between the cost of an acquisition over the fair value of the Group's share of net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation and is amortised or credited to income statement over 10 years on a straight-line basis. Goodwill on consolidation is reviewed at each balance sheet date and will be written down to its recoverable amount when indication of impairment exists. The policy for the recognition and measurement of impairment losses is in accordance with 9.2(o).

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

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



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**(d) Investments**

Investments in subsidiaries are stated at valuation, based on their net tangible asset values. Investment in subsidiaries will be revalued at regular intervals of five years. Where market conditions indicate that the carrying values of the revalued investments materially differ from the underlying net tangible assets values of the subsidiaries, the directors will consider revaluation in those intervening years.

The policy for recognition and measurement of impairment losses is in accordance with 9.2(o).

Any increase arising from revaluation is credited to equity as a revaluation surplus; any decrease is first offset against an increase on earlier valuation in respect of the same investment and is thereafter charged to the income statement. However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same investment previously recognised as an expense. Upon disposal of revalued subsidiaries, the amounts in revaluation reserve relating to those subsidiaries are transferred directly to retained profits.

Investment in other unquoted shares and club membership are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurs. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

**(e) Currency Conversion and Translation**

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those ruling at that date. All exchange differences are taken to the income statements.

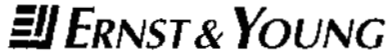
The financial statements of a foreign subsidiary that is integral to the operations of the Company are translated as follows:

- monetary assets and liabilities are translated into Ringgit Malaysia at rates of exchange approximating those ruling at balance sheet date;
- non monetary assets and liabilities are translated into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction date;
- income statement items are translated at average exchange rates that correspond with the dates of the underlying transactions; and
- all exchange gains or losses are dealt with in the consolidated income statement.

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

	<b>RM</b>
United States Dollar(USD)	3.7900
Singapore Dollar (SGD)	2.1335
Japanese Yen (JPY)	0.0300
European Dollar (EURO)	3.7010





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**(f) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with 9.2(o).

Revaluation are made at least once every five years by an independent valuer on an open market value basis. Any increase arising from valuation is credited to equity as a revaluation surplus; any decrease is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to the income statement. Upon disposal of revalued assets, the amounts in revaluation reserve relating to those assets are transferred directly to retained profits.

Freehold land and construction work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective lease, i.e. 60 years.

Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost or valuation of each asset to its residual value over the estimated useful life or lease term at the following annual rates:

Buildings	2% - 5%
Plant and machinery, electrical installations and critical parts	10% - 33%
Motor vehicles	20%
Air conditioners, furniture, fittings, office equipment and renovation	5% - 20%

**(g) Inventories**

Inventories are stated at the lower of cost (principally determined on first-in, first-out basis except for cost of wastepaper and pulp which are determined on the weighted average cost basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads.

**(h) Trade and Other Receivables**

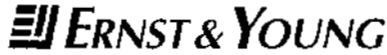
Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

**(i) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and at banks and deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(j) Provision for Liabilities**

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



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**(k) Lease and Hire-Purchase Arrangements**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership.

The Group recognises finance leases as assets and liabilities in the balance sheets at amounts equal at the inception of the lease to the fair value of the leased property, plant and equipment or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expenses for the asset as well as a finance expense for each accounting period. The depreciation policy for leased asset is consistent with that for depreciable property, plant and equipment as disclosed in 9.2 (f).

**(l) Retirement Benefits**

The Group operates an unfunded defined benefit plan for the employees of a subsidiary, Nibong Tebal Paper Mill Sdn. Bhd., as provided under the agreement between the subsidiary and the Paper And Paper Products Manufacturing Employees Union. The benefit is determined based on the length of services and salary escalation and is payable to employees who have reached the normal retirement age of 55.

The cost of retirement benefit is calculated using the projected unit credit method and is assessed by an independent actuary once every 3 years. Transition amount recognised, current service costs and interest costs are dealt with in the income statement in the year they arise.

**(m) Deferred Taxation**

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse.

**(n) Borrowings**

Interest incurred on borrowings is charged to the income statements as expense as and when incurred.

**(o) Impairment of Assets**

The carrying values of assets, other than inventories, assets arising from employee benefits and financial assets, are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

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



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Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount.

A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus.

**(p) Financial Instruments**

Financial assets and financial liabilities carried on the balance sheet include cash and bank balances, marketable securities, trade and other receivables and payables, borrowings, investments and bonds. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

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

**(q) Hedging foreign currency risk**

The Group uses forward exchange contracts to mitigate exposure to selective foreign currency risk. Forward exchange contracts are accounted for as foreign currency transactions. Gains and losses on derivative financial instruments used for hedging of foreign currency transactions are recognised as income or expense on the same basis as the corresponding hedged position. Foreign exchange contracts are translated at exchange rates prevailing at the end of the reporting period representing their fair value.

**9.3 PROPERTY, PLANT AND EQUIPMENT**

Group	Land and Buildings* RM'000	Capital work-in- progress RM'000	Plant and machinery, electrical installations and critical parts RM'000	Motor vehicles RM'000	Air conditioners, furniture, fittings, office equipment and renovation RM'000	Total RM'000
<b>Valuation/Cost</b>						
At 1 May 2002	40,239	5,494	116,377	11,676	4,932	178,718
Additions	4,374	9,076	105	611	310	14,476
Disposals/Write offs	-	(82)	-	(485)	-	(567)
Reclassification	153	(6,681)	6,528	-	-	-
At 30 September 2002	44,766	7,807	123,010	11,802	5,242	192,627

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



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Group	Land and Buildings* RM'000	Capital work-in-progress RM'000	Plant and machinery, electrical installations and critical parts RM'000	Motor vehicles RM'000	Air conditioners, furniture, fittings, office equipment and renovation RM'000	Total RM'000
Representing:						
At cost	5,448	7,807	123,010	11,802	5,242	153,309
At valuation	39,318	-	-	-	-	39,318
	<u>44,766</u>	<u>7,807</u>	<u>123,010</u>	<u>11,802</u>	<u>5,242</u>	<u>192,627</u>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 May 2002	304	-	66,713	9,079	2,023	78,119
Charge for the period	214	-	4,115	366	172	4,867
Disposals/Write offs	-	-	-	(297)	-	(297)
At 30 September 2002	<u>518</u>	<u>-</u>	<u>70,828</u>	<u>9,148</u>	<u>2,195</u>	<u>82,689</u>
Representing:						
At cost	180	-	70,828	9,148	2,195	82,351
At valuation	338	-	-	-	-	338
	<u>518</u>	<u>-</u>	<u>70,828</u>	<u>9,148</u>	<u>2,195</u>	<u>82,689</u>
<b>Net Book Value</b>						
At 30 September 2002						
At cost	5,268	7,807	52,182	2,654	3,047	70,958
At valuation	38,980	-	-	-	-	38,980
	<u>44,248</u>	<u>7,807</u>	<u>52,182</u>	<u>2,654</u>	<u>3,047</u>	<u>109,938</u>

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



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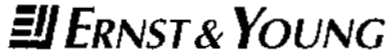
Group	<b>* LAND AND BUILDINGS</b>				
	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
<b>Valuation/cost</b>					
At 1 May 2002	25,022	616	350	14,251	40,239
Additions	3,954	-	-	420	4,374
Reclassification	-	-	-	153	153
At 30 September 2002	28,976	616	350	14,824	44,766
Representing:					
At cost	3,978	-	-	1,470	5,448
At valuation	24,998	616	350	13,354	39,318
	28,976	616	350	14,824	44,766
<b>Accumulated Depreciation</b>					
At 1 May 2002	-	7	4	293	304
Charge for the period	-	4	3	207	214
At 30 September 2002	-	11	7	500	518
Representing:					
At cost	-	-	-	180	180
At valuation	-	11	7	320	338
	-	11	7	500	518
<b>Net Book Value</b>					
At 30 September 2002					
At cost	3,978	-	-	1,290	5,268
At valuation	24,998	605	343	13,034	38,980
	28,976	605	343	14,324	44,248

- (a) Had the revalued properties been carried at historical cost less accumulated depreciation, the net book value of the revalued properties that would have been included in the financial statements of the Group as at the end of the period would be as follows:

	<b>Group RM'000</b>
Freehold land	6,360
Long term leasehold land	850
Short term leasehold land	141
Building	11,683
	<u>19,034</u>

- (b) Net book values of motor vehicles of the Group held under hire-purchase and finance lease arrangements are RM88,444.

IX. ACCOUNTANTS' REPORT (Cont'd)



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- (c) The net book values of properties pledged to financial institutions for bank borrowings as referred to are as follows:

	<b>Group RM'000</b>
Freehold land	12,522
Leasehold land	605
Building	<u>11,200</u>
	<u>24,327</u>

The property, plant and equipment of a subsidiary with carrying value amounting to RM2,300,000 are held under debenture.

- (d) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM28,520,648.
- (e) The carrying amount of temporarily idle equipment of the Group amounted to RM250,753.
- (f) Included in property, plant and equipment of the Group are motor vehicles with carrying value amounting to RM126,328 which are held in trust by third parties.
- (g) The land titles of certain land of the Group are in the progress of being transferred to the subsidiaries' names.

**9.4 SUBSIDIARIES**

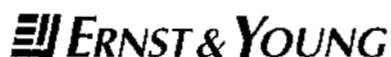
<b>Company</b>	<b>RM'000</b>
Unquoted shares:	
At cost	5,892
Revaluation surplus	<u>82,997</u>
	<u>88,889</u>

In the last financial year, the directors of the Company adopted the policy to revalue its subsidiaries based on their net tangible asset values.

Details of subsidiaries are as follows:

<b>Name of Company</b>	<b>Effective interest %</b>		<b>Principal Activities</b>	<b>Country of incorporation</b>
	<b>30.9.2002</b>	<b>30.4.2002</b>		
Nibong Tebal Paper Mill Sdn. Bhd.	100.00	100.00	) Manufacturing and ) trading of toilet rolls, ) tissues, serviettes and ) paper related products, ) trading of cotton ) products and ) investment holding )	Malaysia

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



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Name of Company	Effective interest %		Principal Activities	Country of incorporation
	30.9.2002	30.4.2002		
Nibong Tebal Enterprise Sdn. Bhd.	100.00	100.00	) Trading in tissue ) Products, toilet rolls, ) paper related products, ) cotton products ) and mineral water )	Malaysia
Nibong Tebal Personal Care Sdn. Bhd. (formerly known as Entroplus (M) Sdn. Bhd.)	100.00	100.00	) Dormant )	Malaysia
H-Link Sdn. Bhd.	100.00	100.00	) Dormant )	Malaysia
<b>Held through Nibong Tebal Paper Mill Sdn. Bhd.</b>				
Nibong Tebal Paper Products Pte. Ltd. *	100.00	100.00	) Importers, exporters ) and dealers in all kinds ) of paper products, ) tissue papers, toilet ) rolls, paper towels and ) general merchandise )	Singapore
Jia In Sdn. Bhd. *	60.00	60.00	) Printing of operation ) manuals, journals and ) packaging materials )	Malaysia

\* Audited by firms of auditors other than Ernst &amp; Young.

## 9.5 OTHER INVESTMENTS

	Group RM'000
Unquoted shares:	
At cost	180
Allowance for diminution in value of investment	(163)
	<u>17</u>
Membership in golf club	87
	<u>104</u>

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



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## 9.6 INVENTORIES

	<b>Group RM'000</b>
At cost:	
Raw materials	12,767
Work-in-progress	569
Finished goods	<u>5,097</u>
	<u>18,433</u>

The cost of inventories recognised as an expense during the period of the Group amounted to RM46,590,877.

## 9.7 TRADE RECEIVABLES

	<b>Group RM'000</b>
Trade receivables	33,665
Less: Allowance for doubtful debts	<u>(3,348)</u>
	<u>30,317</u>

Included in trade receivables of the Group are amounts due from the following companies:

	<b>Group RM'000</b>
Kooka Paper Manufacturing Sdn. Bhd. (KPMSB)*	138
Kooka Marketing (M) Sdn. Bhd.*	<u>59</u>

\* A company related to Lee Eng Sia, a current substantial shareholder of NTHB. Lee See Jin is the brother to Lee Eng Sia.

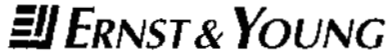
The amounts due are unsecured, payable according to the terms of trade and carried interest at Base Lending Rate + 1% per annum.

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

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.



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



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## 9.8 OTHER RECEIVABLES

	Company RM'000	Group RM'000
Sundry receivables	141	1,547
Staff advances	-	138
Tax refundable	-	1,269
Due from a director of a subsidiary	-	137
	<u>141</u>	<u>3,091</u>
Less: Allowance for doubtful debts	-	(276)
	<u>141</u>	<u>2,815</u>
Deposits for purchase of property, plant and equipment and raw materials	-	477
Sundry deposits and prepayment	-	370
	<u>141</u>	<u>3,662</u>

The amount due from a director of a subsidiary, Foo Say Hai, relates to housing loan given to the director. The amount due is unsecured, interest free and is payable upon demand.

Included in sundry receivables of the Group are the following:

	Group RM'000
Rental income from Priority Plus Sdn. Bhd., a company related to Lee Eng Sia, a current substantial shareholder of NTHB. Lee See Jin is the brother to Lee Eng Sia.	<u>50</u>

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

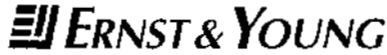
## 9.9 SHORT TERM BORROWINGS

	Group RM'000
Secured:	
Bank overdraft	177
Bankers' acceptance	13,393
Export credit refinancing	4,955
Hire-purchase payables, due within 12 months	25
Term loans, due within 12 months	<u>2,605</u>
	<u>21,155</u>

The bank borrowings except for the term loan are secured by:

- First legal charge over land and building with carrying value amounting to RM23,721,980 of a subsidiary;
- Joint and several guarantee by the directors of a subsidiary for RM66,150,000;
- Debenture incorporating fixed and floating charges over the present and future assets of a subsidiary for RM2,300,000; and
- Corporate guarantee from the Company for RM66,150,000.

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



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The above banking facilities except for the term loan bearing interest ranged from 3.00% to 7.40% per annum.

**9.10 OTHER PAYABLES**

	<b>Company RM'000</b>	<b>Group RM'000</b>
Accruals for payroll related expenses	20	3,707
Tax and other statutory payables	-	1,140
Accruals of expenses	267	2,504
Due to shareholders	659	659
Due to subsidiaries	1,378	-
Due to directors	-	18
Other payables	-	3,394
	<u>2,324</u>	<u>11,422</u>

The amounts due to directors represent net salary payable to a director of the Company, Lee See Jin and advances from the directors of a subsidiary. The amounts due are unsecured, interest free and payable upon demand.

Included in accruals for payroll related expenses is a provision for retirement benefits amounting to RM348,015.

The retirement benefits scheme was last revalued on 31 July 2001. As at that date, the valuation showed that the Company's provision for retirement benefits is sufficient to meet the actuarially determined value of vested benefits.

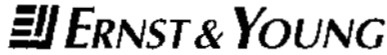
The amounts due to shareholders represent dividend payable to shareholders.

The amounts due to subsidiaries are mainly advances, which are unsecured, interest free and have no fixed terms of repayment.

**9.11 HIRE-PURCHASE PAYABLES**

	<b>Group RM'000</b>
Future minimum payments:	
Payable within one year	30
Payable between one and five years	13
	<u>43</u>
Less: finance charges	(7)
	<u>36</u>
Representing hire-purchase and lease liabilities:	
Due within 12 months	25
Due after 12 months	11
	<u>36</u>

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



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## 9.12 SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each '000	Amount RM'000
Authorised	<u>10,000</u>	<u>10,000</u>
Issued and fully paid	<u>3,891</u>	<u>3,891</u>

## 9.13 CAPITAL RESERVE

The capital reserve arose as a result of bonus issue by a subsidiary through capitalisation of its retained profits.

## 9.14 REVALUATION RESERVE

	Company RM'000	Group RM'000
At beginning and end of the period	<u>83,481</u>	<u>19,395</u>

## 9.15 LONG TERM BORROWINGS

	Group RM'000
Term loans, secured	3,551
Due within 12 months	<u>(2,605)</u>
Due after 12 months	946
Hire-purchase payables due after 12 months	<u>11</u>
	<u>957</u>
Maturity of borrowings (excluding hire-purchase payable)	
Within one year	2,605
Between one and two years	561
Between two and five years	<u>385</u>
	<u>3,551</u>

The term loans are secured by:

- Corporate guarantee of the Company;
- Joint and several guarantee by the directors of certain subsidiaries of the Company; and
- First legal charge over a leasehold land with carrying value for RM605,112 of a subsidiary.

## 9.16 DEFERRED TAXATION

	Group RM'000
At beginning of the period	10,597
Transfer from income statement	<u>60</u>
At end of the period	<u>10,657</u>

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



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## 9.17 RESERVE ON CONSOLIDATION

	<b>Group RM'000</b>
At beginning of the period	264
Accumulated amortisation	(64)
At end of the period	<u>200</u>

## 9.18 SIGNIFICANT RELATED PARTIES TRANSACTION

<b>Group</b>	<b>RM'000</b>
Rental income from Priority Plus Sdn. Bhd.*	<u>55</u>

\* A company related to Lee Eng Sia, a current substantial shareholder of NTHB. Lee See Jin is the brother to Lee Eng Sia.

The directors are of the opinion that the transaction above has been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

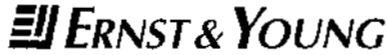
## 9.19 CONTINGENT LIABILITIES

<b>Unsecured</b>	<b>Company RM'000</b>
Corporate guarantees given to banks for credit facilities granted to a subsidiary	<u>21,557</u>

## 9.20 COMMITMENTS

	<b>Group RM'000</b>
Capital expenditure	
Approved and contracted for	
- plant and machinery	2,867
- others	222
Operating lease commitments:	
- Within one year	171
- Two to five years inclusive	14
	<u>3,274</u>

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



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As at 30 September 2002, the outstanding foreign currency forward exchange contracts of a subsidiary are as follows:

Hedged items	Currency to be received	Amount in foreign currency '000	RM'000 equivalent	Average forward contract rate	Fair value RM'000
Trade receivable	SGD	3,000	6,501	SGD1=RM2.1671	6,410
Trade receivable	USD	40	152	USD1=RM3.8025	152

The settlement dates of the above open foreign currency forward exchange contracts range approximately between two and seven months.

The above instruments are executed with creditworthy financial institutions in Malaysia. The Directors are of the opinion that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

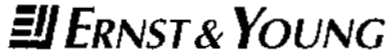
#### 9.21 SIGNIFICANT EVENTS

In conjunction with, and as part of the listing of and quotation of the entire issued and fully paid-up share capital of the Company on the Main Board of the Kuala Lumpur Stock Exchange, the Company undertook or will undertake the following schemes, which had been approved by the Securities Commission:

- Share split of existing paid-up share capital of the Company comprising 3,891,299 ordinary shares of RM1.00 each to 38,912,990 ordinary shares of RM0.10 each in the Company (NTHB shares) by way of a sub-division of the existing ordinary shares of RM1.00 each;
- Revaluation of the landed properties of the subsidiaries of the Company and the subsequent revaluation of the cost of investment of the Company in its subsidiaries to their respective net tangible assets values as at 30 April 2002\*;
- Bonus issue of 585,087,010 new ordinary shares of RM0.10 each in the Company credited as fully paid-up on the basis of approximately 150,358 new NTHB shares for every 10,000 existing NTHB shares held;
- Payment of final tax exempt dividend in respect of financial year ended 30 April 2002 of RM8,108,701 and interim tax exempt dividend of RM6,000,000 in respect of financial year ending 30 April 2003;
- Offer for sale of up to 242,980,000 NTHB shares credited as fully paid-up shares capital to Bumiputra investors to be nominated and approved by the Ministry of International Trade and Industry, eligible employees of the Group and the Malaysian public; and
- Listing of and quotation for the entire enlarged issued and fully paid-up share capital of the Company on the Main Board of the Kuala Lumpur Stock Exchange

\* The financial statements of the Group and Company as at 30 April 2002 has incorporated the effect of the revaluation of the landed properties of the Company's subsidiaries and the subsequent revaluation of the cost of investment of the Company in its subsidiaries to their respective net tangible assets values as at 30 April 2002.

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



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## 9.22 SUBSEQUENT EVENTS

Subsequent to the financial year end, a subsidiary, Entroplus (M) Sdn. Bhd. changed its name to Nibong Tebal Personal Care Sdn. Bhd.

## 9.23 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

- (a) Information about the extent and nature of the financial instruments, including significant terms and conditions and their exposure to interest rate risk is presented in their respective notes, where applicable.
- (b) Fair values

The carrying amount and estimated fair value of financial instruments of the Company as at 30 September 2002 are as follows:

	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Assets</b>				
Trade receivables	30,317	30,317	-	-
Other receivables	2,815	2,815	141	141
Cash and bank balances	5,662	5,662	16	16
<b>Liabilities</b>				
Short term borrowings (secured)	21,155	21,155	-	-
Trade payables	10,519	10,519	-	-
Other payables	11,422	11,422	2,324	2,324
Term loans	946	779	-	-
Hire purchase payables	11	9	-	-

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- (i) Trade and other receivables and payables

The carrying amount of receivables and payables subject to normal trade credit terms approximates fair value. The carrying amounts of other receivables and payables are reasonable estimates of fair value because of their short maturity.

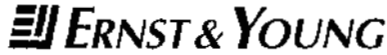
- (ii) Cash and bank balances

The carrying amount of cash and bank balances approximates fair value due to the relatively short term maturity of these instruments.

- (iii) Provisions for liabilities

The carrying amount of provisions and retirement benefits approximate their fair value.

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



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## (iv) Borrowings

The carrying amount of short term borrowings approximates fair value because of the short period to maturity of those instruments.

The fair value of long term borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

## (c) Currency exposure

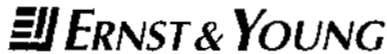
The net unhedged financial assets and financial liabilities of the Group as at 30 September 2002 that are not denominated in their functional currency are as follows:

Functional currency of the Group of companies	United States Dollar RM'000	Singapore Dollars RM'000	Japanese Yen RM'000	Euro RM'000	Hong Kong Dollars RM'000	Total RM'000
<b>Trade Receivables</b>						
Ringgit Malaysia	1,924	534	-	95	-	2,553
<b>Other Receivables</b>						
Ringgit Malaysia	377	-	-	-	-	377
<b>Cash and Bank Balances</b>						
Ringgit Malaysia	261	-	-	-	-	261
<b>Trade Payables</b>						
Ringgit Malaysia	349	136	53	53	-	591
<b>Other Payables</b>						
Ringgit Malaysia	302	-	-	-	237	539

## 9.24 CURRENCY

All amounts are stated in Ringgit Malaysia (RM), unless otherwise stated.

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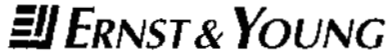
## 10.0 CASH FLOW STATEMENTS

The cash flow statements of the Company and the Group set out below are based on the audited financial statements for the five-month period ended 30 September 2002:

	Company RM'000	Group RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(19)	16,714
Adjustments for:		
Allowance for doubtful debts	-	310
Depreciation	-	4,867
Inventories written down to net realisable value	-	146
Interest expense	-	309
Plant and equipment written off	-	131
Provision for retirement benefit	-	26
Unrealised foreign exchange loss	-	56
Amortisation of reserve on consolidation	-	(11)
Gain on disposal of plant and equipment	-	(94)
Interest income	-	(5)
Operating (loss)/profit before working capital changes	(19)	22,449
Decrease in receivables	-	1,177
Increase in inventories	-	(4,525)
(Decrease)/increase in payables	(3)	1,854
Cash (used in)/generated from operations	(22)	20,955
Tax paid	-	(2,353)
Interest paid	-	(309)
Net cash (used in)/generated from operating activities	(22)	18,293
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(14,475)
Interest received	-	5
Net change in related companies balances	8,386	-
Proceeds from disposal of plant and equipment	-	232
Net cash generated from/(used in) investing activities	8,386	(14,238)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(8,364)	(8,364)
Net change in bank borrowings	-	7,452
Repayment of hire-purchase balances	-	(13)
Repayment of term loans	-	(585)
Net cash used in financing activities	(8,364)	(1,510)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	2,545
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	16	2,940
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	16	5,485
Cash and cash equivalents comprise:		
Cash and bank balances	16	5,662
Bank overdraft	-	(177)
	16	5,485



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



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## 11.0 PROFORMA NET TANGIBLE ASSETS COVER

Based on the statement of assets and liabilities of the NTHB Group as at 30 September 2002, the proforma net tangible assets and enlarged ordinary share capital are derived as follows:

	RM'000
(i) Proforma net tangible assets	
Audited net tangible assets per balance sheet as at 30 September 2002	107,316
Less :Estimated listing expenses*	(1,685)
Less: Dividend payment**	(14,109)
Proforma net tangible assets	<u>91,522</u>
	<b>No of Ordinary Shares ( '000)</b>
(ii) Share capital	

Total number of ordinary shares of RM0.10 each in issue will be as follows:

As at 30 September 2002 (RM1.00 each)	3,891
Add: additional shares pursuant to share split	<u>35,022</u>
As at 30 September 2002 (RM0.10 each)	38,913
Add : Bonus issue of 150,358 shares for every 10,000 shares held	<u>585,087</u>
Enlarged share capital of RM0.10 each	<u>624,000</u>
	RM
Proforma net tangible assets per ordinary share of RM0.10 each	<u>0.15</u>

\* The total estimated expenses for the proposed listing is RM2,500,000 of which RM815,000 has been taken up in the audited consolidated financial statements of NTHB as at 30 September 2002.

\*\* Payment of final tax exempt dividend in respect of financial year ended 30 April 2002 of RM8,108,701 and interim tax exempt dividend of RM6,000,000 in respect of financial year ending 30 April 2003.

## 12.0 FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 September 2002.

Yours faithfully,

ERNST & YOUNG  
No. AF 0039  
Chartered Accountants

WONG KANG HWEE  
No. 1116/01/04(J)  
Partner of the Firm