

## 14. ACCOUNTANTS' REPORT

*(Prepared for inclusion in this Prospectus)*



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**- 4 AUG 2003**

The Board of Directors  
Naim Cendera Holdings Berhad  
9<sup>th</sup> Floor, Wisma Naim  
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Sarawak

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Gentlemen,

### ACCOUNTANTS' REPORT

#### 1. Introduction

This report has been prepared by a firm of approved company auditors for inclusion in the Prospectus issued in connection with the public issue of 46,575,000 ordinary shares of RM1.00 each at an issue price of RM1.30 per ordinary share in Naim Cendera Holdings Berhad (hereinafter referred to as "Naim" or "the Company") and offer for sale of 18,000,000 ordinary shares of RM1.00 each at an offer price of RM1.30 per ordinary share pursuant to the listing of and quotation for Naim's entire issued and paid-up share capital of 250,000,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

#### 2. General Information

##### 2.1 The Company's Background

The Company was incorporated on 5 July 2002 in Malaysia under the Companies Act, 1965 as a public limited company under the name of Naim Cendera Holdings Berhad.

The principal activity of Naim is investment holding.

##### 2.2 Share Capital

At present, the Company's authorised share capital is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each.



KPMG, KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association.

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

| <b>Date of allotment</b> | <b>No. of ordinary shares of RM1.00 each</b> | <b>Par value RM</b> | <b>Considerations</b>  | <b>Cumulative issued and fully paid-up share capital RM</b> |
|--------------------------|--|---------------------|--|---|
| 5 July 2002              | 2  | 1.00                | Subscriber shares  | 2   |
| 1 August 2002            | 1  | 1.00                | Cash   | 3   |
| 17 August 2002           | 105,997                                      | 1.00                | Cash   | 106,000   |
| 25 July 2003             | 203,319,000                                  | 1.00                | Acquisition of 100% equity interest in Naim Cendera Sdn. Bhd. ("NCSB") | 203,425,000   |

The issued and paid-up share capital of Naim will subsequently be increased to RM250,000,000 by way of a public issue of 46,575,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per share.

**2.3 Restructuring Scheme**

In conjunction with and as part of the listing of and quotation for the entire issued and paid-up share capital of Naim on the Main Board of the KLSE, the following restructuring scheme was carried out:

**2.3.1 Acquisition of NCSB**

Acquisition of the entire issued and paid-up share capital of NCSB comprising 1,000,000 ordinary shares of RM1 each by Naim for a total purchase consideration of RM279,961,920 satisfied by the issuance of 203,319,000 new ordinary shares of RM1.00 each in Naim at approximately RM1.38 per share. The acquisition was completed on 25 July 2003.

**2.3.2 Public issue**

Public issue of 46,575,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per share.

**2.3.3 Offer for sale**

Offer for sale of 18,000,000 ordinary shares at an offer price of RM1.30 per ordinary share.

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**2.4 Incorporation And Share Capital Of NCSB**

NCSB was incorporated in Malaysia on 12 April 1993 as a private limited company. Its authorised share capital comprises 1,000,000 ordinary shares of RM1.00 each, all of which have been issued and fully paid-up. Its principal activities consist of property development and construction and civil engineering works.

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

| <b>Date of allotment</b> | <b>No. of ordinary<br/>shares of<br/>RM1.00 each</b> | <b>Consideration</b> | <b>Cumulative issued<br/>and fully paid-up<br/>share capital<br/>RM</b> |
|--------------------------|--|----------------------|---|
| 12 April 1993            | 2  | Subscriber shares    | 2   |
| 16 February 1995         | 99,998   | Cash                 | 100,000   |
| 11 April 1995            | 500,000  | Cash                 | 600,000   |
| 24 January 1996          | 400,000  | Cash                 | 1,000,000   |

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**2.5 Subsidiaries And Associate Of NCSB**

Details of the subsidiaries and associate of NCSB as at the date of this report are as follows:

| Name of Company  | Date and country of incorporation | Share capital |                             | Principal activities   | Equity interest % |
|--|-----------------------------------|---------------|-----------------------------|--|-------------------|
|  |                                   | Authorised RM | Issued and fully paid-up RM |  |                   |
| <b>Subsidiaries</b>  |                                   |               |                             |  |                   |
| Desa Ilmu Sdn. Bhd.<br>(formerly known as Custodev Tiga Sdn. Bhd.)<br>("DISB") | 16 December 1996<br>Malaysia      | 10,000,000    | 10,000,000                  | Property development   | 60                |
| Total Reliability Sdn. Bhd.<br>("TRSB")  | 8 December 1994<br>Malaysia       | 5,000,000     | 2,000,000                   | Property development, construction and civil engineering works | 51                |
| Naim Citra Sdn. Bhd.<br>("NCITRA")   | 4 October 2001<br>Malaysia        | 500,000       | 500,000                     | Civil construction   | 60                |
| TR Earthwork Sdn. Bhd.<br>("TRE")  | 20 February 1997<br>Malaysia      | 100,000       | 100,000                     | Earthwork contractor and rental of machinery                   | 100               |
| Naim Cendera Dua Sdn. Bhd.<br>("NC2SB")  | 29 September 1995<br>Malaysia     | 100,000       | 50,000                      | Trading of cement, steel bar, wire mesh and other products     | 100               |
| TR Smart Piles Sdn. Bhd.<br>("TRSP")   | 26 May 1999<br>Malaysia           | 1,000,000     | 500,000                     | Manufacturing and sale of reinforced-concrete piles            | 51                |
| TR Bricks Sdn. Bhd. ("TRB")  | 4 May 1996<br>Malaysia            | 1,000,000     | 1,000,000                   | Manufacturing and sale of bricks                               | 45                |
| Naim Cendera Tujuh Sdn. Bhd.<br>("NC7SB")                                      | 13 June 2000<br>Malaysia          | 100,000       | 2*                          | Intended for property development                              | 100               |
| Khidmat Mantap Sdn. Bhd.<br>("KMSB")   | 8 March 2000<br>Malaysia          | 100,000       | 2*                          | Intended for property development                              | 100               |
| Naim Commercial Sdn. Bhd.<br>("NCOMSB")  | 15 September 1995<br>Malaysia     | 100,000       | 2*                          | Intended for property development                              | 100               |

\* There are no changes since the date of incorporation.

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| Name of Company                        | Date and country of incorporation | __ Share capital __ |                             | Principal activities                           | Equity interest % |
|--|-----------------------------------|---------------------|-----------------------------|--|-------------------|
|  |                                   | Authorised RM       | Issued and fully paid-up RM |  |                   |
| Naim Housing Sdn. Bhd. ("NHSB")        | 14 September 1995<br>Malaysia     | 100,000             | 1,000                       | Intended for investment holding                | 70.6              |
| TR Green Sdn. Bhd. ("TRG")             | 12 March 1997<br>Malaysia         | 100,000             | 50,000<br>services          | Provision of landscaping                       | 100               |
| Naim Realty Sdn. Bhd. ("NRSB")         | 16 September 1995<br>Malaysia     | 100,000             | 2*                          | Intended for property investment               | 100               |
| Naim Management Sdn. Bhd. ("NMSB")     | 14 September 1995<br>Malaysia     | 100,000             | 2*                          | Intended for provision of management services  | 100               |
| Naim Cendera Lapan Sdn. Bhd. ("NC8SB") | 13 June 2000<br>Malaysia          | 100,000             | 2*                          | Intended for property development              | 100               |
| Dataran Wangsa Sdn. Bhd. ("DWSB")      | 10 July 2000<br>Malaysia          | 100,000             | 2*                          | Intended for property development              | 100               |
| Yakin Jelas Sdn. Bhd. ("YKSB")         | 31 July 2002<br>Malaysia          | 100,000             | 2*                          | Intended for investment holding                | 100               |
| <u>Associate</u>                       |                                   |                     |                             |  |                   |
| TR Concrete Sdn. Bhd. ("TRC")          | 20 February 1997<br>Malaysia      | 5,000,000           | 1,000,000                   | Manufacturing and sale of ready-mixed concrete | 17.85             |

\* There are no changes since the date of incorporation.

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**DISB**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b>   | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|------------------------|---|
| 16 December 1996         | 2  | Subscriber shares      | 2   |
| 30 November 1998         | 998  | Cash                   | 1,000   |
| 22 July 1999             | 99,000   | Cash                   | 100,000   |
| 14 August 2000           | 4,900,000  | Otherwise than in cash | 5,000,000   |
| 8 January 2002           | 5,000,000  | Otherwise than in cash | 10,000,000  |

**TRSB**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b> | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|----------------------|---|
| 8 December 1994          | 2  | Subscriber shares    | 2   |
| 20 June 1995             | 249,998  | Cash                 | 250,000   |
| 3 July 1995              | 750,000  | Cash                 | 1,000,000   |
| 9 January 1996           | 1,000,000  | Cash                 | 2,000,000   |

**NCITRA**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b>                         | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|--|---|
| 4 October 2001           | 3  | Subscriber shares                            | 3   |
| 16 November 2001         | 99,997   | Cash   | 100,000   |
| 28 June 2002             | 400,000  | Bonus issue via<br>capitalisation of profits | 500,000   |

**TRE**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b> | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|----------------------|---|
| 20 February 1997         | 2  | Subscriber shares    | 2   |
| 17 August 1999           | 99,998   | Cash                 | 100,000   |

**NC2SB**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b> | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|----------------------|---|
| 29 September 1995        | 2  | Subscriber shares    | 2   |
| 10 October 1997          | 49,998   | Cash                 | 50,000  |

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**TRSP**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b> | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|----------------------|---|
| 26 May 1999              | 2  | Subscriber shares    | 2   |
| 5 September 2000         | 499,998  | Cash                 | 500,000   |

**TRB**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b> | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|----------------------|---|
| 4 May 1996               | 2  | Subscriber shares    | 2   |
| 15 October 1996          | 98   | Cash                 | 100   |
| 19 March 1997            | 500,000  | Cash                 | 500,100   |
| 24 March 1998            | 499,900  | Cash                 | 1,000,000   |

**NHSB**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b> | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|----------------------|---|
| 14 September 1995        | 2  | Subscriber shares    | 2   |
| 25 February 1999         | 998  | Cash                 | 1,000   |

**TRG**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b> | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|----------------------|---|
| 12 March 1997            | 2  | Subscriber shares    | 2   |
| 10 October 1997          | 49,998   | Cash                 | 50,000  |

**TRC**

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

| <b>Date of allotment</b> | <b>No. of<br/>ordinary shares of<br/>RM1.00 each</b> | <b>Consideration</b> | <b>Cumulative total<br/>issued capital<br/>RM</b> |
|--------------------------|--|----------------------|---|
| 20 February 1997         | 2  | Subscriber shares    | 2   |
| 7 April 1997             | 999,998*   | Cash                 | 1,000,000   |

\* Paid on 31 December 1999.

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**3. Financial Statements And Auditors**

The financial statements of NCSB and its subsidiaries (collectively the NCSB Group), other than NC7SB, KMSB, NCOMSB, NRSB, NMSB, NC8SB and DWSB, relevant to this report (except as disclosed below) are and have been audited by KPMG up to 31 March 2003. The financial statements of TRG for the years ended 31 December 1998 to 2001, TRE for the year ended 31 December 1998 and the financial statements of NC7SB, KMSB, NCOMSB, TRG, NRSB, NMSB, NC8SB and DWSB for all the financial periods/years under review except for the three months ended 31 March 2003 were audited by other firms of Chartered Accountants.

None of the financial statements relevant to this report for the periods/years under review was subject to any audit qualification.

**4. Accounting Policies And Standards**

This report is prepared on a basis consistent with the accounting policies normally adopted by the NCSB Group and in accordance with applicable approved accounting standards in Malaysia.



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**5. Summarised Consolidated Results**

5.1 The summarised consolidated results of NCSB and its subsidiaries for each of the five financial years ended 31 December 1998 to 2002 and the three months ended 31 March 2003 are set out below:

|   | Years ended 31 December |                |                |                |                | Period from             |
|---|-------------------------|----------------|----------------|----------------|----------------|-------------------------|
|   | 1998                    | 1999           | 2000           | 2001           | 2002           | 1.1.2003 -<br>31.3.2003 |
|   | RM'000                  | RM'000         | RM'000         | RM'000         | RM'000         | RM'000                  |
| Revenue   |                         |                |                |                |                |                         |
| - Property developments   | 37,880                  | 45,477         | 46,942         | 100,663        | 112,121        | 18,834                  |
| - Construction contracts  | 44,354                  | 50,241         | 98,443         | 74,158         | 124,575        | 32,394                  |
| - Sale of goods   | -                       | 5,291          | 6,674          | 8,492          | 7,402          | 2,915                   |
|   | <u>82,234</u>           | <u>101,009</u> | <u>152,059</u> | <u>183,313</u> | <u>244,098</u> | <u>54,143</u>           |
| Profit before depreciation and interest                             | 20,129                  | 30,528         | 40,568         | 41,141         | 53,868         | 20,935                  |
| Depreciation  | ( 840)                  | ( 1,126)       | ( 1,458)       | ( 1,786)       | ( 2,539)       | ( 803)                  |
| Interest expense charged to income statement                        | ( 102)                  | ( 175)         | ( 253)         | ( 451)         | ( 384)         | ( 133)                  |
| Interest income   | 599                     | 299            | 606            | 826            | 609            | 214                     |
| Profit before taxation  | <u>19,786</u>           | <u>29,526</u>  | <u>39,463</u>  | <u>39,730</u>  | <u>51,554</u>  | <u>20,213</u>           |
| Taxation  | ( 5,718)                | ( 9)           | ( 12,646)      | ( 11,538)      | ( 15,938)      | ( 6,151)                |
| Profit after taxation   | <u>14,068</u>           | <u>29,517</u>  | <u>26,817</u>  | <u>28,192</u>  | <u>35,616</u>  | <u>14,062</u>           |
| Minority interests  | ( 2,510)                | ( 5,650)       | ( 6,620)       | ( 2,295)       | ( 3,843)       | ( 878)                  |
| Profit attributable to shareholders                                 | <u>11,558</u>           | <u>23,867</u>  | <u>20,197</u>  | <u>25,897</u>  | <u>31,773</u>  | <u>13,184</u>           |
| Unappropriated profits brought forward                              | 14,770                  | 26,328         | 45,195         | 60,392         | 80,289         | 106,578                 |
| Appropriation: Dividend   | -                       | ( 5,000)       | ( 5,000)       | ( 6,000)       | ( 5,244)       | -                       |
| Capitalisation of profits for issue of bonus shares by a subsidiary | -                       | -              | -              | -              | ( 240)         | -                       |
| Unappropriated profits carried forward                              | <u>26,328</u>           | <u>45,195</u>  | <u>60,392</u>  | <u>80,289</u>  | <u>106,578</u> | <u>119,762</u>          |
| Number of ordinary shares in issue ('000)*                          | 203,425                 | 203,425        | 203,425        | 203,425        | 203,425        | 203,425                 |
| Gross earnings per share (RM)                                       | 0.10                    | 0.15           | 0.19           | 0.20           | 0.25           | 0.40**                  |
| Net earnings per share (RM)   | 0.06                    | 0.12           | 0.10           | 0.13           | 0.16           | 0.26**                  |

\* Based on the share capital of 203,425,000 ordinary shares of RM1.00 each in issue after the acquisition of NCSB but before the public issue.

\*\* Annualised.

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*Notes:*

- (i) There were no extraordinary items in the financial years/periods under review.
- (ii) No dividend was proposed for the year ended 31 December 1998 and the three months ended 31 March 2003.
- (iii) For the financial year ended 31 December 1999, NCSB paid a first and final tax exempt dividend of 500% per share on 24 January 2000.
- (iv) For the financial year ended 31 December 2000, NCSB paid an interim tax exempt dividend of 500% per share on 15 July 2000.
- (v) For the financial year ended 31 December 2001, NCSB paid an interim tax exempt dividend of 600% per share on 3 September 2001.
- (vi) For the financial year ended 31 December 2002, NCSB paid an interim dividend on 26 August 2002 comprising two portions as follows:
  - (a) 330% per share tax exempt
  - (b) 270% per share less tax at 28%

NCSB also proposes a final dividend in respect of the year ended 31 December 2002 amounting to RM18,560,000 comprising two portions as follows:

- (a) 200% per share tax exempt
  - (b) 2300% per share less tax at 28%
- (vii) Turnover improved from year to year due to increase in construction contracts and the property development activity of NCSB. NCSB's property development projects, sizing about 3,300 acres, are situated in Bandar Baru Permyjaya, about 25 km from the town centre of Miri, Sarawak. In 2000, DISB became a subsidiary and its property development activities also contributed to the group revenue. DISB is developing approximately 370 acres of land near Kota Samarahan, 25 km from the city centre of Kuching, Sarawak.
  - (viii) The profit in 1999 was exempted from income tax in accordance with the Income Tax (Amendment) Act, 1999 and was distributable as exempt dividends.
 

In 2000, 2001, 2002 and the three months ended 31 March 2003, the effective tax rate was higher than the statutory tax rate due to the disallowance of certain expenses for tax purposes.
  - (ix) Profit before tax increased from year to year in line with the increase in revenue.
  - (x) The gross earnings per share has been calculated based on the profit before taxation and on the share capital of 203,425,000 ordinary shares of RM1.00 each, being the share capital in issue after the acquisition of NCSB but before the public issue.

The net earnings per share has been calculated based on the profit after taxation and minority interests and on the share capital of 203,425,000 ordinary shares of RM1.00 each, being the share capital in issue after the acquisition of NCSB but before the public issue.

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- 5.2 The summarised results of the companies in the Naim Group for the five years ended 31 December 1998 to 2002 and the three months ended 31 March 2003 are set out below:

**Naim**

Naim was dormant for the period under review. The losses of RM10,973 and RM7 for the period from 5 July 2002 to 31 December 2002 and the three months ended 31 March 2003 respectively were due to incorporation expenses and administrative expenses.

**NCSB**

The summarised results for the financial years ended 31 December 1998 to 2002 and the three months ended 31 March 2003 are set out below:

|   | Years ended 31 December |               |               |                |                | Period from             |
|---|-------------------------|---------------|---------------|----------------|----------------|-------------------------|
|   | 1998                    | 1999          | 2000          | 2001           | 2002           | 1.1.2003 -<br>31.3.2003 |
|   | RM'000                  | RM'000        | RM'000        | RM'000         | RM'000         | RM'000                  |
| Revenue                                   |                         |               |               |                |                |                         |
| Property developments                     | 37,880                  | 40,932        | 42,545        | 69,135         | 79,296         | 11,846                  |
| Construction contracts                    | 6,901                   | 7,970         | 32,362        | 67,115         | 107,571        | 28,296                  |
|   | <u>44,781</u>           | <u>48,902</u> | <u>74,907</u> | <u>136,250</u> | <u>186,867</u> | <u>40,142</u>           |
| Profit from property development          | 10,909                  | 14,967        | 8,568         | 19,736         | 23,693         | 3,413                   |
| Profit from construction contracts        | 2,013                   | 3,738         | 11,141        | 12,088         | 18,548         | 15,850                  |
| Other income                              | 1,322                   | 1,452         | 2,492         | 2,766          | 999            | 389                     |
|   | <u>14,244</u>           | <u>20,157</u> | <u>22,201</u> | <u>34,590</u>  | <u>43,240</u>  | <u>19,652</u>           |
| Depreciation                              | ( 416)                  | ( 554)        | ( 312)        | ( 388)         | ( 507)         | ( 149)                  |
| Interest expense                          | ( 4)                    | ( 30)         | ( 56)         | ( 105)         | ( 118)         | ( 36)                   |
| Other expenses                            | ( 1,038)                | ( 1,560)      | ( 4,322)      | ( 3,822)       | ( 6,027)       | ( 2,727)                |
| Profit before taxation                    | <u>12,786</u>           | <u>18,013</u> | <u>17,511</u> | <u>30,275</u>  | <u>36,588</u>  | <u>16,740</u>           |
| Taxation                                  | ( 3,595)                | ( 38)         | ( 5,175)      | ( 7,996)       | ( 11,007)      | ( 5,026)                |
| Profit after taxation                     | <u>9,191</u>            | <u>17,975</u> | <u>12,336</u> | <u>22,279</u>  | <u>25,581</u>  | <u>11,714</u>           |
| Unappropriated profits brought forward    | 10,985                  | 20,176        | 33,151        | 40,487         | 56,766         | 77,103                  |
| Appropriation: Dividend                   | -                       | ( 5,000)      | ( 5,000)      | ( 6,000)       | ( 5,244)       | -                       |
| Unappropriated profits carried forward    | <u>20,176</u>           | <u>33,151</u> | <u>40,487</u> | <u>56,766</u>  | <u>77,103</u>  | <u>88,817</u>           |
| Number of ordinary shares in issue ('000) | 1,000                   | 1,000         | 1,000         | 1,000          | 1,000          | 1,000                   |
| Gross earnings per share (RM)             | 12.79                   | 18.01         | 17.51         | 30.28          | 36.59          | 66.96*                  |
| Net earnings per share (RM)               | 9.19                    | 17.98         | 12.34         | 22.28          | 25.58          | 46.86*                  |

\* Annualised.

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*Notes:*

- (i) There were no extraordinary items in the financial years/period under review.
- (ii) No dividend was proposed for the year ended 31 December 1998 and the three months ended 31 March 2003.
- (iii) For the financial year ended 31 December 1999, NCSB paid a first and final tax exempt dividend of 500% per share on 24 January 2000.
- (iv) For the financial year ended 31 December 2000, NCSB paid an interim tax exempt dividend of 500% per share on 15 July 2000.
- (v) For the financial year ended 31 December 2001, NCSB paid an interim tax exempt dividend of 600% per share on 3 September 2001.
- (vi) For the financial year ended 31 December 2002, NCSB paid an interim dividend on 26 August 2002 comprising two portions as follows:
  - (a) 330% per share tax exempt
  - (b) 270% per share less tax at 28%

NCSB also proposes a final dividend in respect of the year ended 31 December 2002 amounting to RM18,560,000 comprising two portions as follows:

- (a) 200% per share tax exempt
- (b) 2300% per share less tax at 28%

- (vii) In 1999, the revenue increased slightly due to sale of land and higher contribution from construction projects as compared to 1998. Excluding the sale of land, the revenue from property development decreased slightly due to a drop in the contribution from the single-storey semi detached and single storey detached houses which had already been substantially completed in 1998. Furthermore, in 1999 the single-storey terrace houses accounted for a major portion of the properties sold, for which the average selling price was lower than the other types of houses sold in the previous years.

In 2000, the revenue grew slightly due to the launching of shophouses, double storey semi detached and industrial buildings for which the average selling price per unit was higher than the houses sold in the previous years. The number of units of property sold also increased substantially.

In 2001, the revenue increased substantially due to the increase in the number of units sold and increase in the percentage of completion recognised for all types of properties developed and sold. It was also due to more construction projects being undertaken as compared to the previous years.

In 2002, the revenue increased due to substantial completion of existing construction projects and new construction projects being undertaken during the year.

The proportionately higher profit before and after taxation for the three months ended 31 March 2003 was due to significant contributions from projects completed during that period.

- (viii) The profit in 1999 was exempted from income tax in accordance with the Income Tax (Amendment) Act, 1999 and was distributable as exempt dividends.

In 2001, the effective tax rate was lower than the statutory tax rate because of the exempt dividend income from a subsidiary.

In 2002 and the three months ended 31 March 2003, the effective tax rate was higher than the statutory tax rate due to the disallowance of certain expenses for tax purposes.

- (ix) Profit before tax increased from year to year in line with the increase in revenue.

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**14. ACCOUNTANTS' REPORT (cont'd)**

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- (x) The gross earnings per share has been calculated based on the profit before taxation and on the issued and paid-up share capital of NCSB of 1,000,000 ordinary shares of RM1.00 each in issue throughout the years/period under review.

The net earnings per share has been calculated based on the profit after taxation and on the issued and paid-up share capital of NCSB of 1,000,000 ordinary shares of RM1.00 each in issue throughout the years/period under review.

**14. ACCOUNTANTS' REPORT (cont'd)**

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**DISB**

The summarised results for the financial years ended 31 December 1998 to 2002 and the three months ended 31 March 2003 are set out below:

|  | Years ended 31 December |         |        |          |          | Period from             |
|--|-------------------------|---------|--------|----------|----------|-------------------------|
|  | 1998                    | 1999    | 2000   | 2001     | 2002     | 1.1.2003 -<br>31.3.2003 |
|  | RM'000                  | RM'000  | RM'000 | RM'000   | RM'000   | RM'000                  |
| Revenue  | --                      | -       | 5,228  | 31,529   | 32,825   | 6,988                   |
| Profit from property development                       | --                      | -       | 1,123  | 7,097    | 9,451    | 2,274                   |
| Other income   | --                      | 13      | 10     | 60       | 109      | 22                      |
|  | -                       | 13      | 1,133  | 7,157    | 9,560    | 2,296                   |
| Depreciation   | -                       | ( 16)   | ( 18)  | ( 13)    | ( 14)    | ( 1)                    |
| Expenses   | -                       | ( 39)   | ( 119) | ( 245)   | ( 214)   | ( 31)                   |
| (Loss)/Profit before taxation                          | -                       | ( 42)   | 996    | 6,899    | 9,332    | 2,264                   |
| Taxation   | -                       | -       | ( 274) | ( 1,944) | ( 2,651) | ( 627)                  |
| (Loss)/Profit after taxation                           | -                       | ( 42)   | 722    | 4,955    | 6,681    | 1,637                   |
| (Accumulated losses)/ Retained profits brought forward | -                       | -       | ( 42)  | 680      | 5,635    | 12,316                  |
| (Accumulated losses)/ Retained profits carried forward | -                       | ( 42)   | 680    | 5,635    | 12,316   | 13,953                  |
| Weighted average number of ordinary shares ('000)      | *                       | 51      | 2,142  | 5,000    | 10,000   | 10,000                  |
| Gross (loss)/earnings per share (RM)                   | -                       | ( 0.83) | 0.47   | 1.38     | 0.93     | 0.91**                  |
| Net (loss)/earnings per share (RM)                     | -                       | ( 0.83) | 0.34   | 0.99     | 0.67     | 0.65**                  |

\* Comprising 168 weighted average ordinary shares of RM1.00 each.

\*\* Annualised.

**14. ACCOUNTANTS' REPORT (cont'd)**

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*Notes:*

- (i) There were no extraordinary items for all the years/period under review.
- (ii) DISB commenced its property development activity in 1999. The revenue was derived from the housing development project, known as Desa Ilmu, which is situated at Kota Samarahan, Sarawak. The project measures about 371 acres and comprises 3,946 units of residential house.

No revenue was recognised prior to 1999 as the development of 316 units of single storey terraced houses, semi detached houses, detached vacant lots, shophouses and low cost housing under Phase 1 was in the initial stage.

In 2001, the revenue increased significantly due to:

- (a) Increase in the percentage of completion recognised for all types of landed properties developed and sold and detached vacant lots sold in Phases 1 and 2.
- (b) Increase in the average selling price per unit of property.

In 2002, the revenue grew slightly due to the completion of Phases 3 to 5 of the property development project which commenced only in the later part of the years 2001 and 2002. The increase in the gross profit margin from 23% to 29% was because of higher selling price of the properties sold in Phases 4, 5 and 7.

- (iii) The effective tax rate for 2000 was lower than the statutory tax rate due to the utilisation of unabsorbed capital allowances and tax losses brought forward.
- (iv) The increase in the profit before tax in 2001 was due to the recognition of profit attributable to Phase 2, which had a higher gross margin than Phase 1.
- (v) The gross earnings per share have been calculated based on the profit before taxation and the weighted average number of ordinary shares outstanding during the years/period under review.
- (vi) The net earnings per share have been calculated based on the profit after taxation and the weighted average number of ordinary shares outstanding during the years/period under review.

**14. ACCOUNTANTS' REPORT (cont'd)**

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**TRSB**

The summarised results for the financial years ended 31 December 1998 to 2002 and the three months ended 31 March 2003 are set out below:

|   | Years ended 31 December |               |               |               |               | Period from             |
|---|-------------------------|---------------|---------------|---------------|---------------|-------------------------|
|   | 1998                    | 1999          | 2000          | 2001          | 2002          | 1.1.2003 -<br>31.3.2003 |
|   | RM'000                  | RM'000        | RM'000        | RM'000        | RM'000        | RM'000                  |
| <b>Revenue</b>                            |                         |               |               |               |               |                         |
| Property development                      | -                       | 4,545         | 3,126         | -             | -             | -                       |
| Construction contracts                    | 37,453                  | 42,271        | 66,081        | 7,043         | 3,860         | 685                     |
|   | <u>37,453</u>           | <u>46,816</u> | <u>69,207</u> | <u>7,043</u>  | <u>3,860</u>  | <u>685</u>              |
|   | =====                   | =====         | =====         | =====         | =====         | =====                   |
| Profit from property development          | -                       | 1,092         | 1,029         | -             | -             | -                       |
| Profit from construction contracts        | 7,425                   | 11,564        | 21,924        | 1,937         | 110           | 48                      |
| Other income                              | 992                     | 501           | 666           | 767           | 652           | 325                     |
|   | <u>8,417</u>            | <u>13,157</u> | <u>23,619</u> | <u>2,704</u>  | <u>762</u>    | <u>373</u>              |
| Depreciation                              | ( 424)                  | ( 371)        | ( 47)         | ( 94)         | ( 95)         | ( 29)                   |
| Interest expense                          | ( 94)                   | ( 63)         | ( 48)         | ( 59)         | ( 47)         | ( 10)                   |
| Other expenses                            | ( 698)                  | ( 1,258)      | ( 4,469)      | ( 2,440)      | ( 779)        | ( 246)                  |
| Profit/(Loss) before taxation             | <u>7,201</u>            | <u>11,465</u> | <u>19,055</u> | <u>111</u>    | <u>( 159)</u> | <u>88</u>               |
| Taxation                                  | ( 2,079)                | 24            | ( 6,310)      | ( 352)        | ( 66)         | ( 68)                   |
| Profit/(Loss) after taxation              | <u>5,122</u>            | <u>11,489</u> | <u>12,745</u> | <u>( 241)</u> | <u>( 225)</u> | <u>20</u>               |
| Unappropriated profits brought forward    | 7,432                   | 11,834        | 22,323        | 32,068        | 28,827        | 28,602                  |
| Appropriation:                            |                         |               |               |               |               |                         |
| Dividends                                 | ( 720)                  | ( 1,000)      | ( 3,000)      | ( 3,000)      | -             | -                       |
| Unappropriated profits carried forward    | <u>11,834</u>           | <u>22,323</u> | <u>32,068</u> | <u>28,827</u> | <u>28,602</u> | <u>28,622</u>           |
|   | =====                   | =====         | =====         | =====         | =====         | =====                   |
| Number of ordinary shares in issue ('000) | 2,000                   | 2,000         | 2,000         | 2,000         | 2,000         | 2,000                   |
| Gross earnings/(loss) per share (RM)      | 3.60                    | 5.73          | 9.53          | 0.06          | ( 0.08)       | 0.18*                   |
| Net earnings/(loss) per share (RM)        | 2.56                    | 5.74          | 6.37          | ( 0.12)       | ( 0.11)       | 0.04*                   |

\* Annualised.



**14. ACCOUNTANTS' REPORT (cont'd)**

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*Notes:*

- (i) There were no extraordinary items in the financial years/period under review.
- (ii) No dividend was proposed for the year ended 31 December 1999, 31 December 2002 and the three months ended 31 March 2003.
- (iii) For the financial year ended 31 December 1998, TRSB paid an interim dividend of 50% per share less tax at 28% on 12 December 1998.
- (iv) For the financial year ended 31 December 2000, an interim tax exempt dividend of 50% per share was credited as fully paid to the shareholders' accounts on 31 December 2000.
- (v) For the financial year ended 31 December 2001, TRSB paid an interim tax exempt dividend of 150% per share on 22 June 2001.
- (vi) The revenue for the various years fluctuated according to the progress of the construction project undertaken by TRSB. The project is divided into 4 phases. Currently, Phases 1, 2 and 3 are in progress.

In 1999 and 2000, the revenue increased because of the progress billings rendered for the property development project undertaken by TRSB, which was substantially completed by the end of 2000. In addition, the revenue for the year 2000 increased significantly due to the substantial progress of Phases 1, 2 and 3 which were 95%, 91% and 86% completed respectively.

In 2001 and 2002, the revenue declined due to the lower contribution from Phases 1, 2 and 3 which had already been substantially completed in 2000.

- (vii) The other expenses for the years 2000 and 2001 were higher than other years due to allowance for doubtful debts made in those years in respect of the amount owing by an associate and provision for diminution in value of the investment in the same associate made in the year 2000.
- (viii) The effective tax rate for the years 1998, 2000 and 2001 was higher than the statutory tax rate due to the disallowance of certain expenses for taxation purposes.

The tax charge for 1999 was levied on non-exempt dividend income only as the profit from TRSB's core business activities for that year was exempted from income tax in accordance with the Income Tax (Amendment) Act, 1999. The exempt profit for that year was distributable as exempt dividends.

- (ix) The profit before tax for the years 1998 to 2000 increased in line with the increase in revenue but in 2001, it dropped because of the lower revenue for that year.
- (x) The gross earnings per share has been calculated based on the profit before taxation and on the issued and paid-up share capital of TRSB of 2,000,000 ordinary shares of RM1.00 each in issue throughout the years/period under review.

The net earnings per share has been calculated based on the profit after taxation and on the issued and paid-up share capital of TRSB of 2,000,000 ordinary shares of RM1.00 each in issue throughout the years/period under review.

**14. ACCOUNTANTS' REPORT (cont'd)**

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**NCITRA**

The summarised results for the financial period/year ended 31 December 2001 to 2002 and the three months ended 31 March 2003 are set out below:

|  | <b>Period from<br/>4.10.2001 -<br/>31.12.2001<br/>RM'000</b> | <b>31.12.2002<br/>RM'000</b> | <b>Period from<br/>1.1.2003 -<br/>31.3.2003<br/>RM'000</b> |
|--|--|------------------------------|--|
| Revenue  | -  | 13,144                       | 3,412  |
| Gross profit   | -  | 4,091                        | 1,200  |
| Other income   | -  | 32                           | 19   |
| Depreciation   | ( 8)   | ( 42)                        | ( 13)  |
| Interest expenses  | ( 1)   | ( 11)                        | ( 8)   |
| Expenses   | ( 101)   | ( 418)                       | ( 356)   |
| (Loss)/Profit for the period/year                          | ( 110)   | 3,652                        | 842  |
| Taxation   | -  | ( 1,025)                     | ( 304)   |
| (Loss)/Profit after taxation                               | ( 110)   | 2,627                        | 538  |
| (Accumulated losses)/Retained profits brought forward      | -  | ( 110)                       | 2,117  |
| Capitalisation of profits for issue of bonus shares        | -  | ( 400)                       | -  |
| (Accumulated losses)/Retained profits carried forward      | ( 110)   | 2,117                        | 2,655  |
| Weighted average number of ordinary shares in issue ('000) | 100  | 300                          | 500  |
| Gross (loss)/earnings per share (RM)                       | ( 4.40)*   | 12.17                        | 6.74*  |
| Net (loss)/earnings per share (RM)                         | ( 4.40)*   | 8.76                         | 4.30*  |

\* *Annualised.*

**Notes**

- (i) There were no extraordinary items in the financial period/year under review.
- (ii) In 2001, the construction contract of NCITRA was still in the preliminary stage of completion and hence no revenue was recognised during that period.
- In 2002, the revenue was derived from two projects on hand and one of these projects was fully completed during the year.
- (iii) In 2002, the effective tax rate was higher than the statutory tax rate due to the disallowance of certain expenses for tax purposes.
- (iv) The gross loss/earnings per share has been calculated based on the loss/profit before taxation and the weighted average number of ordinary shares outstanding during the periods/year under review.

The net loss/earnings per share have been calculated based on the profit after taxation and the weighted average number of ordinary shares outstanding during the periods/year.

**14. ACCOUNTANTS' REPORT (cont'd)**

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**TRE**

The summarised results for the financial years ended 31 December 1998 to 2002 and the three months ended 31 March 2003 are set out below:

|  | Years ended 31 December |          |          |          |          | Period from             |
|--|-------------------------|----------|----------|----------|----------|-------------------------|
|  | 1998                    | 1999     | 2000     | 2001     | 2002     | 1.1.2003 -<br>31.3.2003 |
|  | RM'000                  | RM'000   | RM'000   | RM'000   | RM'000   | RM'000                  |
| Revenue – from earthwork<br>and rental of machinery          | -                       | 291      | 8,357    | 8,382    | 10,016   | 2,599                   |
| Gross (loss)/profit  | -                       | ( 437)   | 5,359    | 4,087    | 4,160    | 930                     |
| Other income   | -                       | 11       | 428      | 651      | 1,661    | 324                     |
| Distribution cost  | -                       | ( 426)   | 5,787    | 4,738    | 5,821    | 1,254                   |
| Depreciation   | -                       | ( 64)    | ( 2,423) | ( 1,500) | ( 2,203) | ( 556)                  |
| Hire purchase interest                                       | -                       | ( 3)     | ( 7)     | ( 8)     | ( 27)    | ( 4)                    |
| Other expenses   | ( 1)                    | ( 4)     | ( 83)    | ( 239)   | ( 199)   | ( 74)                   |
|  | ( 1)                    | ( 69)    | ( 319)   | ( 271)   | ( 2,307) | ( 70)                   |
| (Loss)/Profit before<br>taxation                             | ( 1)                    | ( 566)   | 2,955    | 2,720    | 1,085    | 550                     |
| Taxation   | -                       | -        | ( 675)   | ( 775)   | ( 882)   | ( 132)                  |
| (Loss)/Profit after<br>taxation                              | ( 1)                    | ( 566)   | 2,280    | 1,945    | 203      | 418                     |
| (Accumulated losses)/<br>Retained profits<br>brought forward | -                       | ( 1)     | ( 567)   | 1,713    | 3,658    | 3,861                   |
| (Accumulated losses)/<br>Retained profits<br>carried forward | ( 1)                    | ( 567)   | 1,713    | 3,658    | 3,861    | 4,279                   |
| Weighted average number<br>of ordinary shares ('000)         | *                       | 42       | 100      | 100      | 100      | 100                     |
| Gross (loss)/earnings<br>per share (RM)                      | ( 312.50)               | ( 13.48) | 29.55    | 27.20    | 10.85    | 22.00**                 |
| Net (loss)/earnings<br>per share (RM)                        | ( 312.50)               | ( 13.48) | 22.80    | 19.45    | 2.03     | 16.72**                 |

\* Comprising 2 ordinary shares of RM1 each

\*\* Annualised

**14. ACCOUNTANTS' REPORT (cont'd)**

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*Notes:*

- (i) There were no extraordinary or exceptional items for all the years/period under review.
- (ii) The revenue increased in 2000 as a result of TRE operating in full swing as compared to only 4 months of operation in 1999.

Significant acquisitions of plant and machinery and motor vehicles in the year 2000, as well as the increase in earthwork activities in 2000 and 2001 had resulted in more repair and maintenance being incurred in the year 2001. Apart from that, the billing rate for the earthwork was lowered in 2001 to promote sale. As a result, the gross profit margin decreased from 64.1% in 2000 to 48.8% in 2001.

- (iii) Less transportation cost was incurred in 2001, and increase in other income from rental of machinery to the immediate holding company, NCSB and a related company, TRSB compensated for the decline in the gross profit margin. As a result, the pre-tax profit margin did not decline as much as the gross profit margin.
- (iv) In 2000, the tax charge was disproportionate to the profit before taxation due to the availability of unutilised tax losses and capital allowances brought forward.

In 2002, the effective tax rate was higher than the statutory tax rate due to the disallowance of certain expenses for tax purposes.

- (v) The gross earnings per share has been calculated based on the profit before taxation and on the weighted average number of ordinary shares in issue during the years/period under review.

The net earnings per share has been calculated based on the profit after taxation and on the weighted average number of ordinary shares in issue during the years/period under review.

**14. ACCOUNTANTS' REPORT (cont'd)**

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**NC2SB**

The summarised results for the financial years ended 31 December 1998 to 2002 and the three months ended 31 March 2003 are set out below:

|  | Years ended 31 December |        |        |        |        | Period from             |
|--|-------------------------|--------|--------|--------|--------|-------------------------|
|  | 1998                    | 1999   | 2000   | 2001   | 2002   | 1.1.2003 -<br>31.3.2003 |
|  | RM'000                  | RM'000 | RM'000 | RM'000 | RM'000 | RM'000                  |
| Revenue  | 4,056                   | 8,317  | 12,916 | 11,544 | 7,820  | 1,407                   |
| Gross profit   | 161                     | 408    | 763    | 417    | 177    | 36                      |
| Other income   | 18                      | 15     | 35     | 41     | 16     | 5                       |
|  | 179                     | 423    | 798    | 458    | 193    | 41                      |
| Depreciation   | -                       | -      | -      | ( 1)   | ( 6)   | ( 2)                    |
| Other expenses   | ( 13)                   | ( 19)  | ( 92)  | ( 112) | ( 117) | ( 41)                   |
| Profit/(Loss) before taxation  | 166                     | 404    | 706    | 345    | 70     | ( 2)                    |
| Taxation   | ( 44)                   | ( 2)   | ( 198) | ( 97)  | ( 20)  | -                       |
| Profit/(Loss) after taxation<br>(Accumulated losses)/<br>Retained profits<br>brought forward | 122                     | 402    | 508    | 248    | 50     | ( 2)                    |
| Retained profits<br>carried forward  | ( 6)                    | 116    | 518    | 1,026  | 1,274  | 1,324                   |
|  | 116                     | 518    | 1,026  | 1,274  | 1,324  | 1,322                   |
| Number of ordinary<br>shares in issue ('000)   | 50                      | 50     | 50     | 50     | 50     | 50                      |
| Gross earnings/(loss)<br>per share (RM)  | 3.32                    | 8.08   | 14.12  | 6.90   | 1.40   | ( 0.16)*                |
| Net earnings/(loss)<br>per share (RM)  | 2.44                    | 8.04   | 10.16  | 4.96   | 1.00   | ( 0.16)*                |

\* Annualised.

**Notes:**

- (i) There were no extraordinary or exceptional items for all the years/period under review.
- (ii) In 1998, NC2SB started trading in cement, steel bars and wire. Most of the construction materials were sold to related companies within the Group.

Higher turnover in 1999 and 2000 was due to increased sales to the related companies. Increase in the average selling price of steel bars and higher purchase rebate from suppliers also contributed to the increase in turnover. Gross profit ("GP") margin improved as a result.

In 2001, downward revision in the selling price of some construction materials had resulted a drop in the revenue and GP margin.

In 2002, the GP margin decreased slightly due to increase in the purchase price of steel bars.

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**14. ACCOUNTANTS' REPORT (cont'd)**

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- (iii) The gross earnings per share have been calculated based on the profit before taxation and on the issued and paid-up share capital of NC2SB of 50,000 ordinary shares of RM1.00 each in issue throughout the years/period under review.

The net earnings per share have been calculated based on the profit after taxation and on the issued and paid-up share capital of NC2SB of 50,000 ordinary shares of RM1.00 each in issue throughout the years/period under review.