

14. ACCOUNTANTS' REPORT (cont'd)

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TRSP

The summarised results for the financial period ended 31 December 1999 and the financial years ended 31 December 2000 to 2002 and the three months ended 31 March 2003 are set out below:

	Period from	Years ended 31 December			Period from
	26.5.1999 - 31.12.1999	2000	2001	2002	1.1.2003 - 31.3.2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
- Reinforced concrete piles	-	1,394	5,828	2,552	404
Gross profit	-	364	931	375	91
Other income	-	5	8	15	7
	-	369	939	390	98
Depreciation	-	(1)	(3)	(3)	(1)
Distribution cost	-	(48)	(195)	(61)	(14)
Hire purchase interest	-	(1)	(13)	(7)	(3)
Other expenses	-	(43)	(85)	(101)	(20)
Profit before taxation	-	276	643	218	60
Taxation	-	(79)	(190)	(72)	(1)
Profit after taxation	-	197	453	146	59
Retained profits brought forward	-	-	197	650	796
Retained profits carried forward	-	197	650	796	855
Weighted average number of ordinary shares ('000)	*	167	500	500	500
Gross earnings per share (RM)	-	1.65	1.29	0.44	0.48**
Net earnings per share (RM)	-	1.18	0.91	0.29	0.47**

* Comprising 2 numbers of ordinary shares in issue.

** Annualised

Notes:

- (i) There were no extraordinary or exceptional items for all the period/years under review.
- (ii) The revenue increased in 2001 as a result of TRSP operating in full swing as compared to only 3 months of operation in 2000.

The lower GP margin in 2001 was mainly due to change of sales mix.

In 2002, revenue decreased due to a drop in the sales to the holding company.

- (iii) The effective tax rate for the year 2001 and 2002 was higher than the statutory tax rate due to the disallowance of certain expenses for tax purposes.
- (iv) 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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TRB

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 - 31.3.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	999	1,300	2,251	1,190	1,205	293
Gross profit	14	108	452	214	249	14
Other income	3	4	19	1	24	5
Depreciation	(2)	(1)	(1)	(2)	(2)	-
Interest expenses	(83)	(84)	(74)	(42)	(8)	(1)
Other expenses	(189)	(106)	(76)	(65)	(61)	(11)
(Loss)/Profit before taxation	(257)	(79)	320	106	202	7
Taxation	-	-	-	-	(43)	(5)
(Loss)/Profit before taxation	(257)	(79)	320	106	159	2
Accumulated losses brought forward	(404)	(661)	(740)	(420)	(314)	(155)
Accumulated losses carried forward	(661)	(740)	(420)	(314)	(155)	(153)
Weighted average number of ordinary shares ('000)	875	1,000	1,000	1,000	1,000	1,000
Gross (loss)/earnings per share (RM)	(0.29)	(0.08)	0.32	0.11	0.20	0.03*
Net (loss)/earnings per share (RM)	(0.29)	(0.08)	0.32	0.11	0.16	0.01*

* 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) TRB commenced operations in 1997. TRB not only supplied cement bricks to NCSB but also to the sub-contractors who worked under the same projects. Revenue increased steadily from 1998 to 2000. The increase was in line with the increased property development projects by NCSB in Bandar Baru Permyjaya, Miri. Sales volume dropped in the year 2001 due to intense competition in the market.

1997 was the start-up year. The production and sales volumes were not enough to recover its fixed production cost for that year. The production and sales volumes increased in the later years and higher throughput allowed TRB's GP margin to improve. Changes in product mix favouring TRB also contributed to higher GP margins in the later years.

- (iii) The losses/lower profit before tax ("PBT") of TRB for the first three years of operation were mainly attributable to significant amount of allowance for doubtful debts. The PBT improved subsequently as efforts on debts collection were intensified.
- (iv) TRB started to generate net profits in 2000. However, there was no tax charge for the years 2000 and 2001 due to availability of business losses and capital allowances brought forward.

In 2002, the effective tax rate is lower than the statutory tax rate because of the availability of capital allowances and tax losses brought forward for offset against the profit for that year.

- (v) 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.

Net earning 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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TRG

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 - 31.3.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	673	109
Gross profit	-	-	-	-	258	23
Expenses	-	-	(4)	(1)	(20)	(3)
(Loss)/Profit before taxation	-	-	(4)	(1)	238	20
Taxation	-	-	-	-	(68)	(6)
(Loss)/Profit before taxation (Accumulated losses)/Retained profits brought forward	-	-	(4)	(1)	170	14
(Accumulated losses)/Retained profits carried forward	-	-	(4)	(5)	165	179
Number of ordinary shares in issue ('000)	50	50	50	50	50	50
Gross (loss)/earnings per share (RM)	-	-	(0.08)	(0.02)	4.76	1.60*
Net (loss)/earnings per share (RM)	-	-	(0.08)	(0.02)	3.40	1.12*

* Annualised.

Notes:

- (i) There were no extraordinary or exceptional items for all the years/period under review.
- (ii) TRG commenced operations in the year 2002 and it provides landscaping and turfing services mainly to its holding company, i.e. NCSB and its related company, i.e. TRSB, for their housing and construction projects.
- (iii) The gross loss/earnings per share has been calculated based on the loss/profit before taxation and on the issued and paid-up share capital of TRG of 50,000 ordinary shares of RM1.00 each in issue throughout the years/period under review.

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

14. ACCOUNTANTS' REPORT (cont'd)

*Page 27***NC7SB**

NC7SB has not commenced operation since its incorporation.

The loss for the period/years under review was mainly due to incorporation expenses incurred upon incorporation, quit rent on the land acquired and administrative expenses.

KMSB

KMSB has not commenced operation since its incorporation. The loss for the period/year under review was due to incorporation expenses incurred upon incorporation, quit rent on the land acquired and administrative expenses.

NCOMSB

NCOMSB has not commenced operation since its incorporation. The losses for the years/period under review were due to preliminary and pre-operating expenses fully written off in accordance with MASB Standards No. 1 and administrative expenses.

NHSB

NHSB secured a low and medium cost housing and commercial development contract in 1997 from the Land Custody and Development Authority (LCDA) and Sarawak Housing Development Commission (HDC). NHSB did not generate any revenue at the early stage of the property development projects in 1997 and 1998. The properties under development were transferred to DISB in 1999. NHSB remained dormant after the project was transferred.

NRSB

NRSB has not commenced operation since its incorporation. The losses for the years/period under review were due to preliminary and pre-operating expenses fully written off in accordance to MASB Standards No. 1 and administrative expenses.

NMSB

NMSB has not commenced operation since its incorporation. The losses for the years/period under review were due to preliminary and pre-operating expenses fully written off in accordance to MASB Standards No. 1 and administrative expenses.

NC8SB

NC8SB has not commenced operation since its incorporation. The loss for the period/year was due to incorporation expenses incurred upon incorporation and administrative expenses.

DWSB

DWSB has not commenced operation since its incorporation. The loss for the period/year was due to incorporation expenses incurred upon incorporation and administrative expenses.

YJSB

YJSB has not commenced operation since its incorporation. The loss for the period was due to incorporation expenses incurred upon incorporation and administrative expenses.

14. ACCOUNTANTS' REPORT (cont'd)

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TRC

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

	Years ended 31 December					Period from
	1998	1999	2000	2001	2002	1.1.2003 - 31.3.2003*
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6,802	7,164	9,577	11,230	8,834	1,801
Gross profit	1,030	1,476	1,076	1,862	1,454	274
Other income	101	336	96	102	140	31
Depreciation	(12)	(12)	(14)	(17)	(16)	(2)
Interest expenses	(89)	(86)	(37)	(26)	-	-
Other expenses	(564)	(150)	(247)	(260)	(366)	(37)
Profit before taxation	466	1,564	874	1,661	1,212	266
Taxation	(162)	-	(360)	(520)	(295)	(55)
Profit after taxation	304	1,564	514	1,141	917	211
Unappropriated profits brought forward	1	255	1,319	1,533	2,674	3,091
Appropriation:						
Dividends	(50)	(500)	(300)	-	(500)	(396)
Unappropriated profits carried forward	255	1,319	1,533	2,674	3,091	2,906
Weighted average number of ordinary shares ('000)	500	541	1,000	1,000	1,000	1,000
Gross earnings per share (RM)	0.93	2.89	0.87	1.66	1.21	1.06**
Net earnings per share (RM)	0.61	2.89	0.51	1.14	0.92	0.84**

* Based on management accounts.

** 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) TRC commenced operations in August 1997. Revenue increased steadily from 1998 to 2002, in line with the increased property development projects by NCSB in Bandar Baru Permyjaya, Miri. TRC supplied ready mix concrete mainly to the sub-contractors who worked for the property development projects of NCSB.

1997 was the start-up year during which TRC only managed to generate marginal GP. Production and sales volumes increased in the later years and higher throughput allowed TRC's GP margin to improve. Changes in product mix favouring TRC also contributed to higher GP margin. The GP margin in 2000 dropped despite the increase in revenue by 33.7% due to increased cost of sales, e.g. land rental and repair and maintenance.

- (iii) The profit before tax ("PBT") of RM1,563,712 achieved in 1999 was mainly attributable to increased sales quantity and lower cost of raw materials. Changes in sales mix and higher average selling price contributed to the higher PBT achieved in 2001.
- (iv) The effective tax rate of TRC was higher than the prima facie tax rate due to certain expenses being disallowed for tax purpose. It was subject to tax audit during the year 2000 in respect of Assessment Year of 1999. Additional tax was imposed by the Inland Revenue Board following the tax audit.

There was no tax charge in 1999 as the income for that year was waived from income tax in accordance with the Income Tax (Amendment) Act, 1999.

The effective tax rate for the year 2002 was lower than the prima facie tax rate due to over-provision of tax expenses in prior year.

- (v) The proposed first and final dividend of 13.89 sen per fully paid-up share less tax at 28% totalling RM50,000 in respect of the year ended 31 December 1998 was paid on 24 January 2000.
- (vi) An interim tax exempt dividend of RM0.50 per share in respect of the year ended 31 December 1999 totalling RM50,000 has been credited as fully paid to the shareholders' accounts on 31 December 1999.
- (vii) An interim tax exempt dividend of 30 sen per share totalling RM300,000 in respect of the year ended 31 December 2000 was paid on 22 December 2000.
- (viii) An interim tax exempt dividend of RM0.50 per share in respect of the year ended 31 December 2002 totalling RM500,000 was paid on 25 February 2002.
- (ix) An interim dividend for the period ended 31 March 2003 totalling RM396,120 was paid on 17 February 2003 and comprised two portions as follows:
- (a) RM0.129 per share tax exempt totalling RM129,000.
 - (b) RM0.371 per share less tax at 28% totalling RM267,120.
- (x) 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.

Net earning 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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6. Summarised Balance Sheets

The summarised balance sheets of the companies in the NCSB Group based on the audited financial statements are set out below:

6.1 NCSB

	31 December					31.3.2003
	1998	1999	2000	2001	2002	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,268	2,926	7,337	7,994	9,219	8,916
Investment in subsidiaries	1,120	1,274	4,529	4,589	7,589	7,589
Other investments	379	429	675	717	655	337
Land held for development *	20,251	19,470	18,789	18,162	17,702	17,702
Current assets	22,626	55,573	75,624	102,897	124,510	113,975
Less: Current liabilities	23,581	45,033	64,437	74,470	79,644	56,915
Net current (liabilities)/ assets	(955)	10,540	11,187	28,427	44,866	57,060
	<u>22,063</u>	<u>34,639</u>	<u>42,517</u>	<u>59,889</u>	<u>80,031</u>	<u>91,604</u>
	=====	=====	=====	=====	=====	=====
Financed by:						
Share capital	1,000	1,000	1,000	1,000	1,000	1,000
Retained profits	20,176	33,151	40,487	56,766	77,103	88,817
	<u>21,176</u>	<u>34,151</u>	<u>41,487</u>	<u>57,766</u>	<u>78,013</u>	<u>89,817</u>
Borrowings (secured)	123	488	998	2,123	1,928	1,712
Deferred taxation	3	-	32	-	-	75
Land premium payable	761	-	-	-	-	-
	<u>22,063</u>	<u>34,639</u>	<u>42,517</u>	<u>59,889</u>	<u>80,031</u>	<u>91,604</u>
	=====	=====	=====	=====	=====	=====
Net tangible assets ("NTA") per share (RM)	<u>21.18</u>	<u>34.15</u>	<u>41.49</u>	<u>57.78</u>	<u>78.01</u>	<u>89.82</u>
	=====	=====	=====	=====	=====	=====

* For the purpose of this report and to ensure comparability, the balance sheets as at 31 December 1998 to 2000 have been restated. The restatement relates to the reclassification of certain land previously included in properties under development (included in current assets) to land held for development in conformity with the Malaysian Accounting Standards Statement No.7 on Accounting for Property Development. Land held for development comprises land on which no significant development work has been undertaken. When significant development work commences on such land, the land is transferred to properties under development.

14. ACCOUNTANTS' REPORT (cont'd)

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6.2 DISB

	31 December					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	31.3.2003 RM'000
Property, plant and equipment	-	67	83	77	115	108
Land held for development *	-	-	3,722	7,702	6,197	6,197
Current assets	1	2,702	9,946	14,496	24,139	24,555
Less: Current liabilities	3	2,714	4,533	10,378	8,135	6,907
Net current (liabilities)/assets	(2)	(12)	5,413	4,118	16,004	17,648
Deferred expenditure	3	3	-	-	-	-
	<u>1</u>	<u>58</u>	<u>9,218</u>	<u>11,897</u>	<u>22,316</u>	<u>23,953</u>
Financed by:						
Share capital	1	100	5,000	5,000	10,000	10,000
(Accumulated losses)/Retained profits	-	(42)	680	5,635	12,316	13,953
	<u>1</u>	<u>58</u>	<u>5,680</u>	<u>10,635</u>	<u>22,316</u>	<u>23,953</u>
Other payable	-	-	3,513	1,252	-	-
Hire purchase loans	-	-	22	10	-	-
Deferred taxation	-	-	3	-	-	-
	<u>1</u>	<u>58</u>	<u>9,218</u>	<u>11,897</u>	<u>22,316</u>	<u>23,953</u>
(Net liabilities)/NTA per share (RM)	<u>(2.41)</u>	<u>0.55</u>	<u>1.14</u>	<u>2.13</u>	<u>2.23</u>	<u>2.40</u>

* For the purpose of this report and to ensure comparability, the balance sheet as at 31 December 2000 has been restated. The restatement relates to the reclassification of certain land previously included in properties under development (included in current assets) to land held for development in conformity with the Malaysian Accounting Standards Statement No.7 on Accounting for Property Development. Land held for development comprises land on which no significant development work has been undertaken. When significant development work commences on such land, the land is transferred to properties under development.

14. ACCOUNTANTS' REPORT (cont'd)

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6.3 TRSB

	31 December					31.3.2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Property, plant and equipment	1,467	1,260	1,083	1,808	1,724	1,666
Investment in subsidiaries	-	359	359	359	359	359
Investment in associates	475	350	350	350	350	350
Other investments	-	-	-	172	177	177
Current assets	24,879	34,620	45,194	40,487	36,792	38,183
Less: Current liabilities	12,266	11,598	12,365	11,835	8,398	9,727
Net current assets	12,613	23,022	32,829	28,652	28,394	28,456
	<u>14,555</u>	<u>24,991</u>	<u>34,621</u>	<u>31,341</u>	<u>31,004</u>	<u>31,008</u>
Financed by:						
Share capital	2,000	2,000	2,000	2,000	2,000	2,000
Retained profits	11,834	22,323	32,068	28,827	28,602	28,622
Shareholders' funds	13,834	24,323	34,068	30,827	30,602	30,622
Borrowings (secured)	690	668	552	514	402	386
Deferred taxation	31	-	-	-	-	-
	<u>14,555</u>	<u>24,991</u>	<u>34,620</u>	<u>31,341</u>	<u>31,004</u>	<u>31,008</u>
NTA per share (RM)	<u>6.92</u>	<u>12.16</u>	<u>17.03</u>	<u>15.41</u>	<u>15.30</u>	<u>15.31</u>

14. ACCOUNTANTS' REPORT (cont'd)

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6.4 NCITRA

	<u>31 December</u>		31.3.2003
	2001	2002	
	RM'000	RM'000	RM'000
Property, plant and equipment	264	313	290
Current asset	136	3,946	5,823
Less: Current liabilities	311	1,508	2,859
Net current (liabilities)assets	(175)	2,438	2,964
	<u>89</u>	<u>2,751</u>	<u>3,254</u>
	=====	=====	=====
Financed by:			
Share capital	100	500	500
(Accumulated losses)/Retained profits	(110)	2,117	2,655
	<u>(10)</u>	<u>2,617</u>	<u>3,155</u>
Borrowing	99	114	95
Deferred taxation	-	20	4
	<u>89</u>	<u>2,751</u>	<u>3,254</u>
	=====	=====	=====
(Net liabilities)/NTA per share (RM)	<u>(0.10)</u>	<u>5.23</u>	<u>6.31</u>
	=====	=====	=====

Note

NCITRA was incorporated on 4 October 2001 and its first set of audited financial statements was for the period ended 31 December 2001.

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

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6.5 TRE

	31 December					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	31.3.2003 RM'000
Property, plant and equipment	-	910	3,223	4,859	7,103	6,627
Quoted investment	-	-	-	21	21	21
Deferred tax asset	-	-	-	-	-	78
Current assets	25	452	4,861	1,679	2,331	2,509
Less: Current liabilities	29	1,451	5,286	1,667	3,319	3,006
Net current (liabilities)/assets	(4)	(999)	(425)	12	(988)	(497)
Deferred expenditure	3	3	-	-	-	-
	<u>(1)</u>	<u>(86)</u>	<u>2,798</u>	<u>4,892</u>	<u>6,136</u>	<u>6,229</u>
Financed by:						
Share capital	*	100	100	100	100	100
(Accumulated losses)/Retained profits	(1)	(567)	1,713	3,658	3,861	4,279
	<u>(1)</u>	<u>(467)</u>	<u>1,813</u>	<u>3,758</u>	<u>3,961</u>	<u>4,379</u>
Borrowings – secured	-	381	985	1,106	2,175	1,850
Deferred taxation	-	-	-	28	-	-
	<u>(1)</u>	<u>(86)</u>	<u>2,798</u>	<u>4,892</u>	<u>6,136</u>	<u>6,229</u>
(Net liabilities)/NTA per share (RM)	<u>(1,911.50)</u>	<u>(4.70)</u>	<u>18.13</u>	<u>37.58</u>	<u>39.61</u>	<u>43.79</u>

14. ACCOUNTANTS' REPORT (cont'd)

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6.6 NC2SB

	31 December					31.3.2003
	1998	1999	2000	2001	2002	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	-	2	25	26
Current assets	981	3,404	7,988	7,249	7,191	6,866
Less: Current liabilities	815	2,836	6,912	5,927	5,842	5,520
Net current assets	166	568	1,076	1,322	1,349	1,346
	<u>166</u>	<u>568</u>	<u>1,076</u>	<u>1,324</u>	<u>1,374</u>	<u>1,372</u>
	=====	=====	=====	=====	=====	=====
Financed by:						
Share capital	50	50	50	50	50	50
Retained profits	116	518	1,026	1,274	1,324	1,322
	<u>166</u>	<u>568</u>	<u>1,076</u>	<u>1,324</u>	<u>1,374</u>	<u>1,372</u>
	=====	=====	=====	=====	=====	=====
NTA per share (RM)	3.32	11.36	21.52	26.48	27.48	27.44
	=====	=====	=====	=====	=====	=====

14. ACCOUNTANTS' REPORT (cont'd)

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6.7 TRSP

	31 December				
	1999	2000	2001	2002	31.3.2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	386	353	389	361
Current assets	*	2,388	1,102	3,145	2,813
Less: Current liabilities	3	1,967	262	2,128	1,736
Net current (liabilities)/assets	(3)	421	840	1,017	1,077
Deferred expenditure	3	-	-	-	-
	*	807	1,193	1,406	1,438
Financed by:					
Share capital	*	500	500	500	500
Retained profits	-	197	650	796	855
	*	697	1,150	1,296	1,355
Borrowing – secured	-	88	21	89	76
Deferred taxation	-	22	22	21	7
	*	807	1,193	1,406	1,438
(Net liabilities)/NTA per share (RM)	(1,649.00)	1.39	2.30	2.59	2.71

* Comprising cash in hand and share capital of RM2 each respectively.

Note

TRSP was incorporated on 26 May 1999 and its first set of audited financial statements was for the period ended 31 December 1999.

14. ACCOUNTANTS' REPORT (cont'd)

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6.8 TRB

	31 December					31.3.2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Property, plant and equipment	2,149	2,101	1,950	1,791	1,679	1,738
Current assets	331	500	767	647	677	552
Less: Current liabilities	1,052	1,478	1,362	977	713	649
Net current liabilities	(721)	(978)	(595)	(330)	(36)	(97)
	<u>1,428</u>	<u>1,123</u>	<u>1,355</u>	<u>1,461</u>	<u>1,643</u>	<u>1,641</u>
Financed by:						
Share capital	1,000	1,000	1,000	1,000	1,000	1,000
Accumulated losses	(661)	(740)	(420)	(314)	(155)	(153)
	<u>339</u>	<u>260</u>	<u>580</u>	<u>686</u>	<u>845</u>	<u>847</u>
Long-term liabilities	1,089	863	775	775	798	794
	<u>1,428</u>	<u>1,123</u>	<u>1,355</u>	<u>1,461</u>	<u>1,643</u>	<u>1,641</u>
NTA per share (RM)	<u>0.34</u>	<u>0.26</u>	<u>0.58</u>	<u>0.69</u>	<u>0.85</u>	<u>0.85</u>

14. ACCOUNTANTS' REPORT (cont'd)

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6.9 NC7SB

	31 December			31.3.2003
	2000	2001	2002	
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	1,820	1,820	1,812
Current assets	*	3	2	2
Less: Current liabilities	3	1,910	1,993	2,011
Net current liabilities	(3)	(1,907)	(1,991)	(2,009)
	<u>(3)</u>	<u>(87)</u>	<u>(171)</u>	<u>(197)</u>
	=====	=====	=====	=====
Financed by:				
Share capital	*	*	*	*
Accumulated losses	(3)	(87)	(171)	(197)
	<u>(3)</u>	<u>(87)</u>	<u>(171)</u>	<u>(197)</u>
	=====	=====	=====	=====
Net liabilities per share (RM)	1,349.00	43,586.00	85,223.00	98,353.00
	=====	=====	=====	=====

* Comprising cash in hand and share capital of RM2 each respectively.

Note

NC7SB was incorporated on 13 June 2000 and its first set of audited financial statements was for the period ended 31 December 2000.

14. ACCOUNTANTS' REPORT (cont'd)

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6.10 KMSB

	31 December			
	2000	2001	2002	31.3.2003
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,988	1,988	-	-
Current assets	*	*	*	*
Less: Current liabilities	1,999	2,008	22	22
Net current liabilities	(1,999)	(2,008)	(22)	(22)
	<u>(11)</u>	<u>(20)</u>	<u>(22)</u>	<u>(22)</u>
Financed by:				
Share capital	*	*	*	*
Accumulated losses	(11)	(20)	(22)	(22)
	<u>(11)</u>	<u>(20)</u>	<u>(22)</u>	<u>(22)</u>
Net liabilities per share (RM)	5,514.50	9,967.00	11,181.50	11,181.50

* Comprising cash in hand and share capital of RM2 each respectively.

Note

KMSB was incorporated on 8 March 2000 and its first set of audited financial statements was for the period ended 31 December 2000.

14. ACCOUNTANTS' REPORT (cont'd)

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6.11 NCOMSB

	31 December					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	31.3.2003 RM'000
Property, plant and equipment	-	-	-	-	2,233	2,217
Current assets	*	*	*	*	*	*
Less: Current liabilities	3	4	5	5	2,305	2,305
Net current liabilities	(3)	(4)	(5)	(5)	(2,305)	(2,305)
Deferred expenditure	3	4	-	-	-	-
	*	*	(5)	(5)	(72)	(88)
Financed by:						
Share capital	*	*	*	*	*	*
Accumulated losses	-	-	(5)	(5)	(72)	(88)
	*	*	(5)	(5)	(72)	(88)
Net liabilities per share (RM)	1,881.50	2,160.50	2,420.50	2,680.50	35,740.00	43,716.00

* Comprising cash in hand and share capital of RM2 each respectively.

** Totalling RM305 through out the years under review.

14. ACCOUNTANTS' REPORT (cont'd)

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6.12 NHSB

	31 December					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	31.3.2003 RM'000
Property, plant and equipment	10	9	-	-	-	-
Investment in a subsidiary	1	-	-	-	-	-
Other investment	-	10	-	-	-	-
Properties under development	1,645	-	-	-	-	-
Current assets	15	1,114	28	26	27	27
Less: Current liabilities	1,818	1,282	180	180	181	181
Net current liabilities	(1,803)	(168)	(152)	(154)	(154)	(154)
	<u>(147)</u>	<u>(149)</u>	<u>(152)</u>	<u>(154)</u>	<u>(154)</u>	<u>(154)</u>
Financed by:						
Share capital	*	1	1	1	1	1
Accumulated losses	(147)	(150)	(153)	(155)	(155)	(155)
	<u>(147)</u>	<u>(149)</u>	<u>(152)</u>	<u>(154)</u>	<u>(154)</u>	<u>(154)</u>
Net liabilities per share (RM)	73,745.00	149.43	151.67	153.10	153.82	154.34

* Comprising share capital of RM2.

14. ACCOUNTANTS' REPORT (cont'd)

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6.13 TRG

	31 December					31.3.2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Property under development	-	7	7	7	2	3
Current assets	50	43	43	42	588	636
Less: Current liabilities	4	4	4	4	375	410
Net current assets	46	39	39	38	213	226
Deferred expenditure	4	4	-	-	-	-
	<u>50</u>	<u>50</u>	<u>46</u>	<u>45</u>	<u>215</u>	<u>229</u>
Financed by:						
Share capital	50	50	50	50	50	50
(Accumulated losses)/ Retained profits	-	-	(4)	(5)	165	179
	<u>50</u>	<u>50</u>	<u>46</u>	<u>45</u>	<u>215</u>	<u>229</u>
NTA per share (RM)	<u>1.00</u>	<u>1.00</u>	<u>0.91</u>	<u>0.90</u>	<u>4.30</u>	<u>4.58</u>

14. ACCOUNTANTS' REPORT (cont'd)

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6.14 NRSB

	31 December					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	31.3.2003 RM'000
Current assets	*	*	*	*	*	*
Less: Current liabilities	4	5	6	7	8	8
Net current liabilities	(4)	(5)	(6)	(7)	(8)	(8)
Deferred expenditure	4	5	-	-	-	-
	<u> *</u>	<u> *</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>	<u>(8)</u>
	=====	=====	=====	=====	=====	=====
Financed by:						
Share capital	*	*	*	*	*	*
Accumulated losses	-	-	(6)	(7)	(8)	(8)
	<u> *</u>	<u> *</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>	<u>(8)</u>
	=====	=====	=====	=====	=====	=====
Net liabilities per share (RM)	1,921.50	2,200.50	3,094.50	3,367.00	3,770.50	3,770.50
	=====	=====	=====	=====	=====	=====

* Comprising cash in hand and share capital of RM2 each respectively.

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

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6.15 NMSB

	31 December					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	31.3.2003 RM'000
Current assets	*	*	*	*	*	*
Less: Current liabilities	4	4	5	6	6	6
Net current liabilities	(4)	(4)	(5)	(6)	(6)	(6)
Deferred expenditure	4	4	-	-	-	-
	<u> *</u>	<u> *</u>	<u>(5)</u>	<u>(6)</u>	<u>(6)</u>	<u>(6)</u>
	=====	=====	=====	=====	=====	=====
Financed by:						
Share capital	*	*	*	*	*	*
Accumulated losses	-	-	(5)	(6)	(6)	(6)
	<u> *</u>	<u> *</u>	<u>(5)</u>	<u>(6)</u>	<u>(6)</u>	<u>(6)</u>
	=====	=====	=====	=====	=====	=====
Net liabilities per share (RM)	<u>1,881.50</u>	<u>2,160.50</u>	<u>2,420.50</u>	<u>2,680.50</u>	<u>3,056.50</u>	<u>3,056.50</u>

* Comprising cash in hand and share capital of RM2 each respectively.

14. ACCOUNTANTS' REPORT (cont'd)

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6.16 NC8SB

	31 December			
	2000 RM'000	2001 RM'000	2002 RM'000	31.3.2003 RM'000
Current assets	*	*	*	*
Less: Current liabilities	3	4	4	4
Net current liabilities	(3)	(4)	(4)	(4)
	<u>(3)</u>	<u>(4)</u>	<u>(4)</u>	<u>(4)</u>
Financed by:				
Share capital	*	*	*	*
Accumulated losses	(3)	(4)	(4)	(4)
	<u>(3)</u>	<u>(4)</u>	<u>(4)</u>	<u>(4)</u>
Net liabilities per share (RM)	1,349.00	1,634.00	2,007.50	2,007.50

* Comprising cash in hand and share capital of RM2 each respectively.

Note

NC8SB was incorporated on 13 June 2000 and its first set of audited financial statements was for the period ended 31 December 2000.

14. ACCOUNTANTS' REPORT (cont'd)

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6.17 DWSB

	31 December			31.3.2003 RM'000
	2000 RM'000	2001 RM'000	2002 RM'000	
Property, plant and equipment	-	-	1,678	1,671
Current assets	*	*	5	5
Less: Current liabilities	3	4	1,745	1,757
Net current liabilities	(3)	(4)	(1,740)	(1,752)
	<u>(3)</u>	<u>(4)</u>	<u>(62)</u>	<u>(81)</u>
Financed by:				
Share capital	*	*	*	*
Accumulated losses	(3)	(4)	(62)	(81)
	<u>(3)</u>	<u>(4)</u>	<u>(62)</u>	<u>(81)</u>
Net liabilities per share (RM)	<u>(1,349.00)</u>	<u>(1,784.50)</u>	<u>(30,893.50)</u>	<u>(40,337.00)</u>

* Comprising cash in hand and share capital of RM2 each respectively.

Note

DWSB was incorporated on 10 July 2000 and its first set of audited financial statements was for the period ended 31 December 2000.

14. ACCOUNTANTS' REPORT (cont'd)

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6.18 TRC

	31 December					31.3.2003*
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Property, plant and equipment	1,112	800	1,089	1,357	1,094	1,033
Current assets	1,936	4,094	4,906	4,759	5,797	5,321
Less: Current liabilities	2,024	2,575	3,462	2,442	2,800	2,448
Net current (liabilities)/assets	(88)	1,519	1,444	2,317	2,997	2,873
	<u>1,024</u>	<u>2,319</u>	<u>2,533</u>	<u>3,674</u>	<u>4,091</u>	<u>3,906</u>
Financed by:						
Share capital	500	1,000	1,000	1,000	1,000	1,000
Retained profits	255	1,319	1,533	2,674	3,091	2,906
	<u>755</u>	<u>2,319</u>	<u>2,533</u>	<u>3,674</u>	<u>4,091</u>	<u>3,906</u>
Long-term liabilities	269	-	-	-	-	-
	<u>1,024</u>	<u>2,319</u>	<u>2,533</u>	<u>3,674</u>	<u>4,091</u>	<u>3,906</u>
NTA per share (RM)	<u>1.51</u>	<u>2.32</u>	<u>2.53</u>	<u>3.67</u>	<u>4.09</u>	<u>3.91</u>

* Based on management accounts.

14. ACCOUNTANTS' REPORT (cont'd)

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7. Statements Of Assets And Liabilities

The following is the detailed statements of assets and liabilities of NCHB and of the Proforma NCHB Group which have been prepared for illustrative purposes only and are based on the audited financial statements of the companies in the NCHB Group as at 31 March 2003. The statements of assets and liabilities have been prepared to show the effects of the acquisition of the NCSB Group ("Acquisitions"), the Public Issue of 46,575,000 and offer for sale of 18,000,000 ordinary shares of RM1.00 each of an issue price of RM1.30 per share and the estimated listing expenses of RM4,600,000 on the assumption that the respective transactions had been completed on 31 March 2003 and should be read in conjunction with the notes thereon:

	Note	Proforma Group RM'000	Company audited RM'000
Property, plant and equipment	7.2	39,357	-
Investment in associates	7.3	1,367	-
Other investments	7.4	536	-
Land held for development	7.5	285,201	-
Deferred taxation	7.6	78	-
Current assets			
Inventories	7.7	4,426	-
Properties under development	7.8	31,962	-
Trade and other receivables	7.9	74,995	-
Amount due from associates	7.10	311	-
Deposits, cash and bank balances	7.11	106,906	96
		<u>218,600</u>	<u>96</u>
Current liabilities			
Trade and other payables	7.12	58,012	1
Dividend payable		18,560	-
Borrowings	7.13	3,049	-
Taxation		1,173	-
		<u>80,794</u>	<u>1</u>
Net current assets		<u>137,806</u>	<u>95</u>
		<u>464,345</u>	<u>95</u>

14. ACCOUNTANTS' REPORT (cont'd)

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	Note	Proforma Group RM'000	Company audited RM'000
Financed by:			
Capital reserves			
Share capital	7.14	250,000	106
Share premium		86,016	-
Accumulated losses		(91)	(11)
Reserve on consolidation	7.15	20,098	-
		<u>356,023</u>	<u>95</u>
Minority shareholders' interests	7.16	27,224	-
		<u>383,247</u>	<u>95</u>
Long term and deferred liabilities			
Borrowings	7.13	4,119	-
Deferred taxation	7.6	76,979	-
		<u>464,345</u>	<u>95</u>

14. ACCOUNTANTS' REPORT (cont'd)

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Notes To The Statement Of Assets And Liabilities**7.1. Summary Of Significant Accounting Policies**

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of MASB 25, Income Tax (see Note 7.6) which is applied retrospectively. Comparative figures are not affected by the adoption of this standard.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention and in compliance with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

14. ACCOUNTANTS' REPORT (cont'd)

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(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

Depreciation

Leasehold land is amortised equally over its remaining lease terms. Other property, plant and equipment are depreciated on a straight line basis to write off the costs of the assets over the term of their estimated useful lives at the following principal annual rates:

Buildings	2% - 10%
Furniture and fittings	10% - 50%
Motor vehicles	20%
Office and factory equipment	10% - 50%
Plant and machinery	10% - 20%

(e) Investments

Long-term investments other than in subsidiaries and associates are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Investment in subsidiaries and associates is stated at cost in the Company, less impairment loss where applicable.

(f) Land held for development

Land held for development are stated at cost and comprises land on which no significant development work has been undertaken. When significant development work commences on such land, the land is transferred to properties under development.

(g) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

Goodwill is amortised from the date of initial recognition over 20 years, subject to annual reviews for any impairment in its carrying value.

(h) Inventories

Raw materials, manufactured inventories, consumables and building materials are stated at the lower of cost and net realisable value with weighted average cost being the basis for cost. For manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(i) Properties under development

Properties under development comprising land and development expenditure are stated at cost plus attributable profit less foreseeable losses, net of progress billings. Development expenditure includes interest expense on loans and advances utilised to finance on-going development.

(j) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.