(k) **Amount due from contract customers**

Amount due from contract customers on construction contracts is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct construction costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in trade and other payables as amount due to contract customers.

(l) **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(m) **Impairment**

The carrying amount of the Group's assets, other than inventories [refer Note 7.1(h)], assets arising from construction contracts, deferred tax assets and financial assets (other than investment in subsidiaries and associates) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. An impairment loss is charged to the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverses the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(n) **Liabilities**

Borrowings and trade and other payables are stated at cost.

(o) **Hire purchase loans**

Property, plant and equipment acquired using hire purchase loans are capitalised and depreciated in accordance with Note 7.1(d). Outstanding hire purchase instalments after deducting interest yet to fall due are disclosed as borrowings in the balance sheet. Hire purchase interest is charged to the income statement over the loan tenor using the "sum-of-digit" method.

(p) **Capitalisation of borrowing costs**

Borrowing costs incurred on properties under development and gross amount due from contract customers are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use or when the construction contracts have been completed.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of financing a specific property under development or gross amount due from contract customers, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

(q) **Taxation**

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences on initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

In the previous years, deferred tax liabilities were recognised for all temporary differences, except where no liability was expected to arise in the foreseeable future and there were no indication the timing differences would reverse thereafter. Deferred tax assets were only recognised when there was a reasonable expectation of realisation in the near future.

(r) **Income recognition**

(i) Construction contracts

Revenue from long-term fixed price construction contracts is recognised on the percentage of completion method, measured by reference to survey of works performed and to the proportion that contract costs incurred for contract work performed to-date that reflect work performed bear to the total estimated contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable of recovery and contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised immediately in the income statement.

(ii) ***Property development***

Profit from property development is recognised using the percentage of completion method on properties sold. Where foreseeable losses are anticipated, full provision for these losses is made in the financial statements.

(iii) ***Sale of goods***

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyers.

(iv) ***Dividend income***

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

(v) ***Interest income***

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets.

(s) Interest expenses

All interest and other costs incurred in connection with borrowings, other than those capitalised in accordance with Note 7.1(p), are expensed as incurred.

7.2. Property, plant and equipment

Group	Outright purchase							Under hire purchase		
	Long-term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office and factory equipment RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000
Cost										
Opening balance	8,349	1,200	5,452	1,875	2,311	2,638	5,636	5,272	6,091	38,824
Additions	-	5	84	74	-	107	56	-	-	326
Disposals	-	-	-	-	-	(1)	(12)	(219)	-	(232)
Reclassifications	(750)	350	400	-	-	-	-	-	-	-
Fair value adjustment	13,180	-	-	-	-	-	-	-	-	13,180
Closing balance	20,779	1,555	5,936	1,949	2,311	2,744	5,680	5,053	6,091	52,098
Representing items:										
At cost	5,779	1,555	5,936	1,949	2,311	2,744	5,680	5,053	6,091	37,098
At directors' valuation - 2003	15,000	-	-	-	-	-	-	-	-	15,000
	20,779	1,555	5,936	1,949	2,311	2,744	5,680	5,053	6,091	52,098
Depreciation										
Opening balance	218	163	406	823	1,755	1,360	3,386	2,093	1,571	11,775
Charge for the period	45	8	33	66	60	109	99	241	419	1,080
Disposals	-	-	-	-	-	(1)	(8)	(105)	-	(114)
Closing balance	263	171	439	889	1,815	1,468	3,477	2,229	1,990	12,741
Net book value										
At 31 March 2003	20,516	1,384	5,497	1,060	496	1,276	2,203	2,824	4,101	39,357

Professional valuers, Jordan Lee, Jaafar & Chew Sdn. Bhd. were commissioned in 2002 to ascertain the market value of certain long-term leasehold land costing RM1,820,000. An adjustment of RM13,180,000 has been effected to reflect the said land at its fair value as at 31 March 2003.

The Group has nineteen parcels of long-term leasehold land with lease terms expiring between the years 2055 and 2062. The Group also has four parcels of short-term leasehold land with lease term expiring between the years 2038 and 2052. The title to one parcel of long-term leasehold land and the building thereon costing RM1,514,756 belonging to a subsidiary has yet to be issued by the relevant authority. The titles to another three parcels of long-term leasehold land costing RM2,093,361 belonging to another three subsidiaries have also yet to be issued by the relevant authority. Three parcels of long term leasehold land belonging to certain subsidiaries costing RM3,526,317 have only been issued with provisional titles by the relevant authorities. In addition, the strata titles to 2 units of a subsidiary's buildings are in the process of being obtained from the authorities.

The titles to four parcels of long-term leasehold land costing RM24,928 belonging to a subsidiary are held in trust by another subsidiary on behalf of the first mentioned subsidiary.

Three parcels of long-term leasehold land and the buildings thereon of the Group costing RM4,103,467 are charged to banks to secure banking facilities granted to the Group.

Depreciation charge for the period is allocated as follows:

	Proforma Group RM'000
Income statement	803
Properties under development (Note 7.8)	121
Amount due from contract customers (Note 7.9)	156
	1,080

7.3 Investment in associates

	Proforma Group RM'000
Unquoted shares - at cost	1,325
Less: Impairment loss	975
	350
Share of post acquisition reserves	1,017
	1,367
Represented by:	
Group's share of net assets	1,367

7.4 Other investments

	Proforma Group RM'000
Long term:	
Quoted shares at cost	698
Allowance for diminution in value in quoted shares	(317)
	381
Unquoted shares	*
Unit trust	155
	536

* *Negligible.*

7.5 Land held for development

	Proforma Group RM'000
Land - at cost	
Long term leasehold land	21,694
Fair value adjustment	261,302
	282,996
Short-term leasehold	1,990
Freehold	215
	285,201

Included in the leasehold land of the Group are two parcels of land costing RM2,074,000 and RM4,182,440 respectively which are charged to banks for banking facilities granted to certain subsidiaries (Notes 7.13). A third parcel of land costing RM525,790 belonging to another subsidiary [of which RM205,593 is classified as a real property asset while the balance as land under properties under development (Note 7.8)] is charged to a bank for overdraft facility granted to the said subsidiary (Note 7.13).

Included in the leasehold land of the Group is land premium of RM3,820,394 paid in advance for land to be alienated to a subsidiary.

The lease terms of the Group's long-term leasehold land expire between the years 2055 and 2063.

The lease term of the Group's short term leasehold land expires in the year 2052.

Three parcels of freehold land of the Group are held by a Director in trust for the Group.

Professional valuers, Jordan Lee, Jaafar & Chew Sdn. Bhd. were commissioned in 2002 to ascertain the market value of certain long-term leasehold land held for development costing RM20,977,000. An adjustment of RM261,302,000 has been effected to reflect the said land at its fair value as at 31 March 2003.

7.6 Deferred taxation

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the period are as follows:

Group	At 1.1.2003 RM'000	Credited/ (Charged) to income statement RM'000	Acquisition of subsidiaries RM'000	At 31.3.2003 RM'000
Deferred tax assets				
Property, plant and equipment	-	69	-	69
Allowance for doubtful debts	8	9	-	17
Allowance for diminution in value of quoted investments	-	88	-	88
	8	166	-	174
Deferred tax liabilities				
Land held for development	-	-	(73,165)	(73,165)
Property, plant and equipment	(85)	(135)	(3,690)	(3,910)
	(85)	(135)	(76,855)	(77,075)
Net deferred tax	(77)	31	(76,855)	(76,901)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are as follows:

	Proforma Group 31.3.2003 RM'000	Company Audited 31.3.2003 RM'000
Deferred tax assets	78	-
Deferred tax liabilities	(76,979)	-

Unrecognised deferred tax assets of a subsidiary

The tax effects of the following temporary differences have not been recognised in the financial statements:

	RM'000
Unutilised capital allowances	4
Unutilised tax losses	141
	145

The above deferred tax assets of RM41,000 have not been recognised by the affected subsidiary because it is not probable that future taxable profit will be available against which the said subsidiary can utilise the benefits therefrom.

7.7 Inventories

	Proforma Group RM'000
At cost:	
Raw materials	81
Manufactured inventories	2,393
Consumables	330
Building materials	1,495
Plants used for landscaping	127
	4,426

7.8 Properties under development

	Proforma Group RM'000
Land and development costs	185,368
Attributable profits	62,684
	248,052
Progress billings	(216,090)
	31,962

Land costing RM779,381 belonging to the Group (Note 7.5) is charged to banks for banking facilities granted (Note 7.13).

Included in land and development costs of the Group is land premium of RM379,606 paid in advance for land to be alienated.

Additions to development costs during the period include:

	Proforma Group RM'000
Depreciation (Note 7.2)	121
Interest expense	6
Rental of premises	15

7.9 Trade and other receivables

	Proforma Group RM'000
Trade receivables (including progress billings receivable)	43,428
Amount due from contract customers	16,055
Other receivables, deposits and prepayments	13,419
Income tax refundable	2,093
	74,995

Gross amount due from contract customers

	Proforma Group RM'000
Aggregate costs incurred to date	344,441
Add: Attributable profits	115,035
	459,476
Less: Progress billings	465,513
	(6,037)
Amount due to contract customers reclassified to trade and other payables (Note 7.12)	22,092
	16,055

Additions to aggregate costs incurred during the period include:

Car rental	1
Depreciation (Note 7.2)	156
Interest expenses	12
Rental of premises	27

7.10 Amounts due from/to associates – Proforma Group

The amount due from an associate is non-trade in nature, interest free and has no fixed terms of repayment.

The amount due to an associate is trade in nature.

7.11 Deposits, cash and bank balances

	Proforma Group RM'000	Company Audited RM'000
Fixed deposits with licensed banks	40,163	-
Cash and bank balances	66,743	96
	106,906	96

Fixed deposits of the Proforma Group amounting to RM3,649,700 are pledged to banks for bank guarantee facilities granted.

7.12 Trade and other payables

	Proforma Group RM'000	Company Audited RM'000
Current		
Trade payables	28,099	-
Other payables and accruals	6,249	1
	34,348	1
Gross amount due to contract customers (Note 7.9)	22,092	-
	56,440	1
Advance received from contract customer	1,572	-
	58,012	1

Included in the trade payables of the Group are retention sums amounting to RM3,035,408.

Included in other payables is an amount owing to a minority shareholder of a subsidiary of RM784,503. The amount will be settled through cash payment and transfer of various units of residential houses, commercial shophouses and vacant detached lots from the said subsidiary's current housing development projects.

7.13 Borrowings

	Proforma Group RM'000
Current	
Term loans - secured	171
Hire purchase loans - secured	2,416
Bank overdraft - unsecured	19
Bankers' acceptance - secured	443
	3,049
Non-current	
Term loans - secured	1,406
Hire purchase loans - secured	2,713
	4,119
Total	7,168

Terms and debt repayment schedule

Group	*Total RM'000*	*Under 1 year RM'000*	*1 - 2 years RM'000*	*2 – 5 years RM'000*	*Over 5 years RM'000*
Term loans - interest variable from 6.4% to 9.5% per annum	1,577	171	182	584	640
Hire purchase - interest fixed at 4.6% to 6.5% flat per annum	5,129	2,416	1,709	965	39
Bank overdraft - interest variable at 2% per annum above base lending rate	19	19	-	-	-
Bankers' acceptances - interest at 4.25% per annum	443	443	-	-	-
	7,168	3,049	1,891	1,549	679

The Group has three term loans. The first and second term loans are secured by way of a first legal charge over two parcels of land and buildings of a subsidiary (Note 7.2). The third term loan of another subsidiary is secured by way of a first legal charge over a plot of land and the building thereon belonging to the said subsidiary (Note 7.2) and is also jointly and severally guaranteed by certain Directors of the subsidiary. The fourth term loan was settled during the period and was secured by way of a first legal charge over a parcel of land belonging to the Company (Note 7.5) and guaranteed by certain Directors of the Company.

The bank overdraft of a subsidiary is secured by way of a corporate guarantee from another subsidiary.

The banker's acceptances of a subsidiary are secured by way of a fixed deposit pledged to the bank amounting to RM540,000.

The Group has four overdraft facilities which were not utilised at 31 March 2003. The first overdraft is secured in the same manner as the Group's first term loan (see above) and the second, third and fourth overdraft are secured by way of a first legal charge over three parcels of land of the Group (Note 7.2). The third overdraft facility is also jointly and severally guaranteed by certain Directors of the subsidiary whilst the fourth overdraft facility is secured by way of a corporate guarantee from another subsidiary. The unsecured overdraft of a subsidiary is jointly and severally guaranteed by certain Directors of the said subsidiary.

The Group has a revolving credit facility of RM3.5 million, which was not utilised at 31 March 2003. The facility is secured in the same manner as the second overdraft facility (see above).

7.14 Share capital

	Proforma Group RM'000
Ordinary shares of RM1.00 each	
Authorised	
Opening balance	500
Increase pursuant to the restructuring scheme	499,500
	500,000
Issued and fully paid	
Opening balance	106
Issued as consideration for the acquisition of subsidiaries	203,319
Public issue	46,575
	250,000

7.15 Reserve on consolidation

	Proforma Group RM'000
Cost	
Reserve on consolidation	
Opening balance	-
Reserve arising from acquisition of subsidiaries	20,098
Closing balance	20,098

7.16 Minority shareholders' interests

This consists of the minority shareholders' portion of share capital and reserves of subsidiaries, net of their share of subsidiaries' goodwill on consolidation and amortisation of goodwill charged to minority shareholders.

8. Consolidated Cash Flow Statement

The cash flow statement of the NCHB Group set out below is based on the audited financial statements of the NCHB Group for the period ended 31 March 2003 and is presented on the basis that the acquisitions had been in effect throughout the relevant period under review.

	Proforma Group RM'000	Company Audited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,213	*
Adjustments for:		
Allowance for diminution in value of investment	317	-
Amortisation of goodwill	22	-
Depreciation	960	-
Dividend income	(2)	-
Gain on disposal of property, plant and equipment	(57)	-
Interest expense	146	-
Interest income	(228)	-
Share of profit in associates	(93)	-
Operating profit before working capital changes	21,278	*
(Increase)/Decrease in working capital:		
Inventories	595	-
Property development expenditure (excluding depreciation and interest)	(124)	-
Trade and other receivables	19,107	-
Trade and other payables	(22,496)	(4)
Amount due to associates	(315)	-
Cash generated from/(used in) operations	18,045	(4)
Tax paid	(4,513)	-
Interest paid	*	-
Interest received	14	-
Net cash generated from/(used in) operating activities	13,546	(4)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed deposits pledged to licensed banks	(1,630)	-
Purchase of property, plant and equipment	(324)	-
Proceeds from disposal of property, plant and equipment	174	-
Interest received	216	-
Dividends received	140	-
Payment of listing expenses	(4,600)	-
Net cash used in investing activities	(6,024)	-

* *Negligible.*

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	Proforma Group RM'000	Company Audited RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	60,548	-
Proceeds of term loans	443	-
Repayments of term loans	(723)	-
Interest paid	(151)	-
Net cash generated from financing activities	60,117	-
Net increase/(decrease) in cash and cash equivalents	67,639	(4)
Cash and cash equivalents at beginning of period	35,618	99
Cash and cash equivalents at end of period [Note]	103,257	95

Assumptions to the Proforma Cash Flow Statement

Note

Cash and cash equivalents

Cash and cash equivalents comprise:

	Proforma Group RM'000	Company Audited RM'000
Deposits (excluding fixed deposits pledged to bank for bank guarantee facility)	36,514	-
Cash and bank balances	66,743	95
	103,257	95

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9. Net tangible assets per ordinary share

Based on the statement of assets and liabilities of the Proforma Group as at 31 March 2003, the net tangible assets of the Proforma Group after the acquisition of NCSB and after the Public Issue would be as follows:

	RM'000
Net tangible assets of the Proforma Group as at 31 March 2003	356,023
Number of ordinary shares of RM1.00 each in issue	250,000
Net tangible assets per ordinary share of RM1.00 each (RM)	1.42

10. Events subsequent to balance sheet date as at 31 March 2003

Other than the completion of the acquisition referred to in Section 2.3, no material events have arisen subsequent to the balance sheet date which requires disclosure in this report.

Yours faithfully

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

Chin Chee Kong
Partner
Approval Number: 1481/1/05 (J)