

---

## 12. ACCOUNTANTS' REPORT

---



■ Chartered Accountants  
4th Floor, Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia

■ Phone : (03) 2144-2333  
Fax : (03) 2141-0676  
(03) 2144-5619  
www.ey.com/my

Mail Address:  
P.O. Box 10068  
50704 Kuala Lumpur, Malaysia

### ACCOUNTANTS' REPORT

(Prepared for the inclusion in the Prospectus to be dated 10 April 2004)

2 April 2004

The Board of Directors  
Mudajaya Group Berhad  
Bangunan Mulpha  
17, Jalan Semangat  
46100 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Dear Sirs

### MUDAJAYA GROUP BERHAD ACCOUNTANTS' REPORT

#### 1. INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Mudajaya Group Berhad ("Mudajaya" or the "Company") to be dated 10 April 2004 in connection with the restructuring and listing of Mudajaya on the Malaysia Securities Exchange Berhad ("MSEB").

#### 2. GENERAL INFORMATION

##### 2.1 THE COMPANY

The Company was incorporated in Malaysia on 6 February 2003 as a public limited company.

As at 31 October 2003, the authorised share capital of the Company is RM100,000 comprising 200,000 ordinary shares of RM0.50 each and the issued and paid-up share capital is RM1,000 comprising 2,000 ordinary shares of RM0.50 each.

Mudajaya is an investment holding company.

---

12. ACCOUNTANTS' REPORT (cont'd)

---



## 2.2 DETAILS OF THE PROPOSALS

As part of the restructuring and listing, Mudajaya has undertaken/will undertake the following:

(1) Acquisition

Acquisition of the entire issued and paid-up share capital of Mudajaya Corporation Berhad ("MJC") together with its subsidiary companies ("MJC Group") by Mudajaya (hereinafter the new group is referred to as "Mudajaya Group" or "Proforma Group") for a total purchase consideration of RM75,175,320 which was satisfied by the issue of 120,598,000 new ordinary shares of RM0.50 each in Mudajaya at an issue price of approximately RM0.62 per ordinary share in Mudajaya (hereinafter referred to as "Acquisition").

(2) Initial public offering of Mudajaya shares comprising the Public Issue and the Offer For Sale of Mudajaya shares as follows:

(i) Public issue of 15,400,000 new ordinary shares of RM0.50 each in Mudajaya at an issue price of RM1.28 per ordinary share to the Malaysian public and the eligible Directors and employees of the Mudajaya Group (hereinafter referred to as "Public Issue").

(ii) Offer for sale of 22,600,000 ordinary shares of RM0.50 each in Mudajaya at an offer price of RM1.28 per ordinary share by the offerors to the identified Bumiputera investors approved by the Ministry of International Trade and Industry and identified investors (hereinafter referred to as "Offer for Sale").

(hereinafter referred to as "IPO")

(3) Admission to the Official List of the Main Board of the Malaysia Securities Exchange Berhad ("MSEB") and the listing of and quotation on the Main Board of the MSEB for 136,000,000 ordinary shares of RM0.50 each in Mudajaya representing the entire issued and paid-up share capital of Mudajaya after the IPO (hereinafter referred to as "Listing").

(Collectively referred to as "Proposals")

The restructuring and listing exercise had been approved by the SC, the FIC and the MITI on 2 December 2003 (for both SC and FIC) and 22 July 2003 respectively, subject to certain conditions imposed by the SC.

The Acquisition was completed on 1 March 2004 and resulted in the issued and paid-up share capital of Mudajaya increasing from RM1,000 to RM60,300,000.

## 2.3 THE COMPANIES ACQUIRED AS SUBSIDIARY COMPANIES OF MUDAJAYA PURSUANT TO THE PROPOSALS

MJC was incorporated in Malaysia on 9 December 1965 as a private limited company under the name of Chye Hin Construction Company Limited and subsequently changed its name to Chye Hin Construction Company Sdn Bhd on 15 April 1966, Mudajaya Construction Sdn Bhd on 19 August 1972 and Mudajaya Corporation Sdn Bhd on 19 May 1997. MJC was converted into a public company on 10 June 1997 under the name of Mudajaya Corporation Berhad.

As at 31 October 2003, the authorised share capital of MJC is RM250,000,000 comprising 250,000,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM30,150,000 comprising 30,150,000 ordinary shares of RM1.00 each.

The principal activities of MJC are civil engineering and building construction.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 2.3 THE SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

The subsidiaries and associated companies of MJC, all of which are private limited companies incorporated in Malaysia, as at 31 October 2003 are as follows:

<u>Name of Company</u>	<u>Principal Activities</u>	<u>Effective Equity Interest Held by MJC as at 31 October 2003</u>
<b>Subsidiary Companies</b>		
MJC Trading Sdn Bhd ("MTrad")	Hire of plant and machinery and trading in construction related materials.	100%
MJC City Development Sdn Bhd ("MCity")	Property management and development.	70%
MJC Precast Sdn Bhd ("MPre")	Manufacture of precast concrete and other related products.	51%
MJC Industries Sdn Bhd ("MInd")	Manufacture of concrete, concrete products and building materials.	100%
MJC Development Sdn Bhd ("MDev")	Property management, development and construction.	51%
Mudajaya Power International Sdn Bhd ("MPow")	Civil engineering and building construction.	100%
MJC Properties Sdn Bhd ("MProp")	Dormant	100%
MJC Services Sdn Bhd ("MSer")	Dormant	100%
Angsana Fajar Sdn Bhd ("Angsana")	Property development	100%
<b>Associated Companies</b>		
Binamin Quarry Sdn Bhd ("BQuar")	Investment holding	40%
Binamin MJC Quarry Sdn Bhd ("BMQuar")	Production and sale of quarry products	69.92%

**12. ACCOUNTANTS' REPORT** (cont'd)**3. AUDITORS, FINANCIAL STATEMENTS AND FINANCIAL ACCOUNTING DATES**

Throughout the financial periods under review, the financial statements of Mudajaya and MJC and its' subsidiary and associated companies were audited by Messrs Ernst & Young except for Binamin Quarry Sdn Bhd, an associated company of MJC, which is audited by another audit firm. All the financial statements were reported on without qualification.

For the relevant financial periods under review, the financial accounting date of the subsidiary companies were coterminous with that of Mudajaya, which is 31 December.

This report is prepared based on the audited financial statements which have been prepared in accordance with applicable approved accounting standards in Malaysia and is presented on a basis consistent with the accounting policies normally adopted by Mudajaya Group.

**4. DIVIDENDS**

The dividends declared or paid for the five financial years ended 31 December 2002 and period ended 31 October 2003 are as follows:

**(i) Mudajaya**

Mudajaya was incorporated on 6 February 2003 and no dividend was declared or paid by the Company for the period ended 31 October 2003.

**(ii) MJC**

<b>Financial period/ year ended</b>	<b>Issued and paid-up share capital on which dividend is paid RM</b>	<b>Gross dividend rate %</b>	<b>Tax rate %</b>	<b>Net dividend RM</b>
31.12.1998	30,150,000	-	-	-
31.12.1999	30,150,000	16.58	28	3,600,000
31.12.2000	30,150,000	16.58	28	3,600,000
31.12.2001	30,150,000	-	-	-
31.12.2002	30,150,000	-	-	-
31.10.2003	30,150,000	304.04	28	66,000,000

## 12. ACCOUNTANTS' REPORT (cont'd)



## 5. SUMMARISED INCOME STATEMENTS

## 5.1 Proforma Consolidated Income Statements

The proforma consolidated income statements of Mudajaya Group set out below, are based on the audited financial statements of Mudajaya and MJC Group. The proforma consolidated income statements are provided for illustrative purposes only, and have been presented on the basis that the Acquisition had been in effect throughout the financial periods under review.

	Financial year/period ended					
	31.12.1998	31.12.1999	31.12.2000	31.12.2001	31.12.2002	(10 months) 31.10.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	136,518	168,246	183,804	321,803	288,384	242,222
Profit Before Interest, Taxation, Depreciation and Amortisation	10,716	15,558	18,011	25,289	27,283	29,212
Depreciation and Amortisation Expense	(4,224)	(4,376)	(3,666)	(2,919)	(3,049)	(2,887)
Interest Expense	(1,040)	(96)	(7)	-	(44)	(503)
Profit Before Exceptional Item	5,452	11,086	14,338	22,370	24,190	25,822
Exceptional Item	-	-	-	(3,565)	-	-
Profit Before Taxation	5,452	11,086	14,338	18,805	24,190	25,822
Taxation	(2,140)	(85)	(3,309)	(5,363)	(6,835)	(7,205)
Profit After Taxation	3,312	11,001	11,029	13,442	17,355	18,617
Minority Interests	(305)	(620)	(1,578)	(2,259)	(1,345)	(684)
Profit After Taxation and Minority Interests	3,007	10,381	9,451	11,183	16,010	17,933
No. of ordinary shares of RM0.50 par value each ('000)	120,600	120,600	120,600	120,600	120,600	120,600
Earnings per share (sen)	2	9	8	9	13	15
Effective tax rate (%)	39	1	23	29	28	28

Notes:

## (a) Revenue

1998

The revenue comprise work performed on construction contracts of RM76 million, sale of development properties of RM37 million and sale of construction materials of RM24 million.

1999

The revenue comprise work performed on construction contracts of RM67 million, sale of development properties of RM63 million and sale of construction materials of RM38 million.

---

12. ACCOUNTANTS' REPORT (cont'd)

---



5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.1 Proforma Consolidated Income Statements (Contd.)

(a) Revenue (Contd.)

2000

The revenue comprise work performed on construction contracts of RM102 million, sale of development properties of RM46 million and sale of construction materials of RM36 million.

2001

The revenue comprise work performed on construction contracts of RM189 million, sale of development properties of RM101 million and sale of construction materials of RM32 million.

2002

The revenue comprise work performed on construction contracts of RM185 million, sale of development properties of RM78 million and sale of construction materials of RM25 million.

2003

The revenue comprise work performed on construction contracts of RM179 million, sale of development properties of RM29 million and sale of construction materials of RM34 million.

(b) The exceptional item in the financial year ended 2001 is in respect of provisions for diminution in value of short term investments.

(c) In the year 1998, the effective tax rate for the year is higher than the statutory tax rate due to certain expenses disallowed for tax purposes and elimination of unrealised profits arising from intra group transactions for which the tax was already provided for in the respective subsidiaries.

No provision for taxation was made in the year 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999.

The effective tax rate for year 2000 is lower than the statutory tax rate due to previously unrealised profits arising from intra group transactions realised during the year for which the tax was already provided for in the respective subsidiaries in prior years.

(d) There were no extraordinary items in all the financial periods under review.

(e) The earnings per share has been calculated based on the profit after taxation and minority interests divided by the number of issued and paid up capital of 120,600,000 ordinary shares of RM0.50 par value each on the assumption that these shares have been in issue throughout the financial periods under review.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 5. SUMMARISED INCOME STATEMENTS (CONTD.)

## 5.2 Mudajaya (Company)

The summarised income statement of Mudajaya set out below, is based on the audited financial statements.

	6.2.2003 - 31.10.2003 <u>RM'000</u>
Revenue	-
Profit Before Interest, Taxation, Depreciation and Amortisation	-
Depreciation and Amortisation Expense	-
Interest Expense	-
Profit Before Exceptional Item	-
Exceptional Item	-
Profit Before Taxation	-
Taxation	-
Profit After Taxation	-
Minority Interests	-
Profit After Taxation and Minority Interests	-
No. of ordinary shares of RM0.50 par value each ('000)	2
Earnings per share (sen)	-
Effective tax rate (%)	-

## Notes:

- (a) Mudajaya was incorporated on 6 February 2003. As such, no summarised income statement was prepared for the financial years ended 1998 to 2002.
- (b) The preliminary and pre-operating expenses of Mudajaya for the period ended 31 October 2003 were borne by MJC.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 6. SUMMARISED BALANCE SHEETS

## 6.1 Proforma Consolidated Balance Sheets

The proforma consolidated balance sheets of Mudajaya Group set out below, are based on the audited financial statements of Mudajaya and MJC Group. The proforma consolidated balance sheets are provided for illustrative purposes only, and have been presented on the basis that the Acquisition had been in effect throughout the financial periods under review.

	← As at →					
	31.12.1998	31.12.1999	31.12.2000	31.12.2001	31.12.2002	31.10.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, Plant and Equipment	16,237	12,847	11,858	11,762	12,643	14,415
Associated Companies	6,749	5,526	5,442	2,802	2,090	2,156
Investments In Jointly Controlled Entities	24,429	18,136	10,786	2,074	2,433	3,767
Long Term Investments	200	-	-	134	134	1,134
Goodwill On Consolidation	2	2	-	-	-	-
Deferred Expenditure	562	562	562	562	562	562
<b>Current Assets</b>	<b>126,274</b>	<b>127,376</b>	<b>146,465</b>	<b>157,553</b>	<b>190,524</b>	<b>138,293</b>
<b>Current Liabilities</b>	<b>71,054</b>	<b>53,349</b>	<b>56,584</b>	<b>42,916</b>	<b>58,634</b>	<b>57,730</b>
<b>Net Current Assets</b>	<b>55,220</b>	<b>74,027</b>	<b>89,881</b>	<b>114,637</b>	<b>131,890</b>	<b>80,563</b>
	<b>103,399</b>	<b>111,100</b>	<b>118,529</b>	<b>131,971</b>	<b>149,752</b>	<b>102,597</b>
Financed by:						
Share Capital	60,300	60,300	60,300	60,300	60,300	60,300
Non-distributable Reserves	-	595	595	595	595	595
Retained Profits	41,051	47,237	53,088	64,271	80,281	32,214
<b>Shareholders' Funds</b>	<b>101,351</b>	<b>108,132</b>	<b>113,983</b>	<b>125,166</b>	<b>141,176</b>	<b>93,109</b>
Minority Interests	1,332	2,252	3,830	6,089	7,434	8,118
Hire Purchase Payable	-	-	-	-	426	654
Deferred Taxation	716	716	716	716	716	716
	<b>103,399</b>	<b>111,100</b>	<b>118,529</b>	<b>131,971</b>	<b>149,752</b>	<b>102,597</b>

Note:

- (a) The Acquisition as detailed in Section 2.2(1) is accounted for using the merger method of accounting as the Acquisition meets the relevant criterias under Malaysian Accounting Standards Board Standard 21 – Business Combinations. The merger deficit of RM30.149 million arising from the exchange of shares is adjusted against the retained profits on the assumption that the Acquisition had been in effect throughout the financial periods under review.



## 12. ACCOUNTANTS' REPORT (cont'd)



## 6. SUMMARISED BALANCE SHEETS (CONTD.)

## 6.2 Mudajaya (Company)

The summarised balance sheet of Mudajaya set out below, is based on the audited financial statements.

	<b>As at</b> <b>31.10.2003</b> <b>RM'000</b>
Deferred Expenditure	562
Current Assets	1
Current Liabilities	562
Net Current Liabilities	<u>(561)</u>
	<u>1</u>
Share Capital	<u>1</u>

## Note:

- (a) Mudajaya was incorporated on 6 February 2003. As such, no summarised balance sheet was prepared for the financial years ended 1998 to 2002.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 7. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of Mudajaya Group as at 31 October 2003 set out below, is based on the audited financial statements of Mudajaya ("Company") and MJC Group (collectively referred to as "Proforma Group"). The proforma statement of assets and liabilities is presented, for illustrative purposes only, to show the effects of the Proposals stated in Section 2.2 to this Report. The statement of assets and liabilities should be read in conjunction with the notes thereto.

	Note	← Proforma Group → As at 31.10.2003		
		Company As at 31.10.2003 (Audited) RM'000	(I) After the Acquisition RM'000	(II) After I, the IPO and the proposed utilisation of proceeds from the Public Issue RM'000
<b>Property, Plant and Equipment</b>	<b>C</b>	-	14,415	14,415
<b>Associated Companies</b>	<b>D</b>	-	2,156	2,156
<b>Investments In Jointly Controlled Entities</b>	<b>E</b>	-	3,767	3,767
<b>Long Term Investments</b>	<b>F</b>	-	1,134	1,134
<b>Deferred Expenditure</b>	<b>G</b>	562	562	-
<b>Current Assets</b>				
Development properties	<b>H</b>	-	35,813	35,813
Inventories	<b>I</b>	-	332	332
Trade receivables	<b>J</b>	-	88,567	88,567
Other receivables		-	3,917	3,917
Short term investments	<b>K</b>	-	1,921	1,921
Deposits with licensed financial institutions	<b>L</b>	-	5,523	22,735
Cash and bank balances	<b>L</b>	1	2,220	2,220
		1	138,293	155,505
<b>Current Liabilities</b>				
Amount due to customers on contracts	<b>M</b>	-	115	115
Trade payables		-	40,472	40,472
Other payables		562	4,039	3,477
Tax payable		-	3,923	3,923
Hire purchase payables	<b>N</b>	-	2,137	2,137
Bank borrowings	<b>O</b>	-	7,044	7,044
		562	57,730	57,168
<b>Net Current (Liabilities)/Assets</b>		(561)	80,563	98,337
		1	102,597	119,809

## 12. ACCOUNTANTS' REPORT (cont'd)



## 7. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

	Note	← Proforma Group → As at 31.10.2003		
		Company As at 31.10.2003 (Audited) RM'000	(I) After the Acquisition RM'000	(II) After I, the IPO and the proposed utilisation of proceeds from the Public Issue RM'000
<b>Financed by:</b>				
Share Capital	P	1	60,300	68,000
Non-distributable Reserves	Q	-	595	595
Share Premium	R	-	-	9,512
Retained Profits	S	-	32,214	32,214
<b>Shareholders' Funds</b>		<u>1</u>	<u>93,109</u>	<u>110,321</u>
Minority Interests		-	8,118	8,118
Hire Purchase Payables	N	-	654	654
Deferred Taxation	T	-	716	716
		<u>1</u>	<u>102,597</u>	<u>119,809</u>
<b>Net (liabilities)/tangible assets per ordinary share of RM0.50 each (RM)</b>		(280.50)	0.77	0.81

---

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

---



**8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES**

**A. Basis of Accounting**

The financial statements of the Proforma Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain land and buildings.

The financial statements comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

**B. Significant Accounting Policies**

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

**(a) Basis of Consolidation**

**(i) Subsidiaries**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary are those companies in which the Proforma Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the merger method and acquisition method of accounting, as appropriate.

**(ia) Acquisition Accounting**

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measure at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Proforma Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

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

---

12. ACCOUNTANTS' REPORT (cont'd)

---



8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

**B. Significant Accounting Policies (Contd.)**

**(a) Basis of consolidation (Contd.)**

**(i) Subsidiaries (Contd.)**

**(ib) Merger Accounting**

Under the merger method of accounting, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. Merger deficit is adjusted against retained profits. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

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

Minority interest is measured at the minorities' share of the fair values of the identifiable assets and liabilities of the acquiree.

**(ii) Associates**

Associates are those companies in which the Proforma Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Proforma Group's share of profits less losses of associates during the period is included in the consolidated income statement. The Proforma Group's interest in associates is carried in the consolidated balance sheet at cost plus the Proforma Group's share of post-acquisition retained profits or accumulated losses and other reserves.

**(iii) Jointly Controlled Entities**

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which the Proforma Group has joint control over its economic activity established under a contractual arrangement.

Investments in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the jointly controlled entities. Under the equity method of accounting, the Proforma Group's share of profits less losses of jointly controlled entities during the period is included in the consolidated income statement. The Proforma Group's interest in jointly controlled entities is carried in the consolidated balance sheet at cost plus the Proforma Group's share of post-acquisition retained profits or accumulated losses and other reserves.

---

12. ACCOUNTANTS' REPORT (cont'd)

---



**8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)**

**B. Significant Accounting Policies (Contd.)**

**(a) Basis of consolidation (Contd.)**

**(iii) Jointly Controlled Entities (Contd.)**

Unrealised gains on transactions between the Proforma Group and the jointly controlled entities are eliminated to the extent of the Proforma Group's interest in the jointly controlled entities. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the assets transferred.

**(b) Goodwill**

Goodwill represents the excess of the cost of acquisition over the Proforma Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note B(o). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates and jointly controlled entities is included in the carrying amount of investments in associates and jointly controlled entities respectively.

Goodwill is amortised on a straight-line basis over its estimated useful life of 10 years.

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

Property, plant and equipment are stated at cost modified by the revaluation of certain land and buildings less accumulated depreciation, amortisation and impairment losses.

The Proforma Group applied the transitional provisions of the International Accounting Standard 16 (Revised), Property, Plant and Equipment, by virtue of which a reporting enterprise is allowed to retain revalued amounts on the basis of their previous revaluations subject to continuity in depreciation policy and the requirement to write an asset down to its recoverable amount if it does not further revalue its property, plant and equipment.

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

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

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## B. Significant Accounting Policies (Contd.)

## (c) Property, Plant and Equipment and Depreciation (Contd.)

	%
Buildings	2
Factory	10
Plant, machinery and equipment	20
Office equipment, furniture and fittings	20
Motor vehicles	20

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

## (d) Other Investments

Other long term investments are stated at cost unless in the opinion of the Directors, there has been a decline in value other than temporary, in which case, provision is made for the diminution in value.

Short term investments are stated at the at lower of cost and market value.

## (e) Deferred Expenditure

Deferred expenditure, which is stated at cost, relates to the expenditure incurred in respect of the restructuring and listing of the Company's shares. Deferred expenditure consist of professional fees and other related costs and is written off against share premium arising from the restructuring and listing exercise.

## (f) Development Properties

Land and development expenditure are classified as development properties when significant development work has been undertaken and is expected to be completed within the normal operating cycle. Development properties are stated at cost plus attributable profits less foreseeable losses and progress billings. Cost includes cost of land, development expenditure and interest expense incurred during the period of active development.

Where the outcome of the projects can be reliably estimated, revenue from sale of development properties is accounted for by the stage of completion method in respect of all building units that have been sold. The stage of completion is determined by reference to the works certified. Provision is made for all foreseeable losses on development properties.

---

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

---

**8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****B. Significant Accounting Policies (Contd.)****(g) Construction Contracts**

Construction contracts work-in-progress are stated at cost plus attributable profits less foreseeable losses and progress billings. Cost includes sub-contract charges, materials, labour and attributable overhead expenses.

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is determined by reference to the contract costs incurred for work performed to date. Provision is made for all foreseeable losses on construction contracts.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts.

When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

**(h) Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials, finished goods and work-in-progress is determined on a weighted average or first-in first-out basis, as appropriate, according to the category of stocks concerned. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and attributable production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**(i) Cash and Cash Equivalents**

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

**(j) Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.



---

12. ACCOUNTANTS' REPORT (cont'd)

---



8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

**B. Significant Accounting Policies (Contd.)**

**(j) Income Tax (Contd.)**

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

**(k) Leases**

A lease is recognised as a finance lease if it transfers substantially to the Proforma Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the hire purchases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the hire purchase.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for assets acquired under hire purchase is consistent with that for depreciable property, plant and equipment as described in Note B(c).

**(l) Provisions for Liabilities**

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

---

12. ACCOUNTANTS' REPORT (cont'd)

---



**8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)**

**B. Significant Accounting Policies (Contd.)**

**(m) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Proforma Group and the amount of the revenue can be measured reliably.

**(i) Development properties**

Revenue from sale of development properties is accounted for by the stage of completion method as described in Note B(f).

**(ii) Construction contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note B(g).

**(iii) Sale of goods**

Revenue from sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

**(iv) Revenue from services**

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

**(v) Interest income**

Interest income is recognised as it accrues on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

**(vi) Dividend income**

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

Revenue for the Proforma Group excludes intra group transactions.

**(n) Foreign Currencies**

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of the transaction. All exchange rate differences are taken to the income statement.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## B. Significant Accounting Policies (Contd.)

## (n) Foreign Currencies (Contd.)

The principal exchange rate used at the balance sheet date is as follows:

	RM
100 Rupees	8.22

## (o) Impairment of Assets

At each balance sheet date, the Proforma Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

## (p) Financial Instruments

Financial instruments are recognised in the balance sheet when the Proforma Group has become a party to the contractual provisions of the instrument.

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

## (i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities are stated at cost less provision for diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

---

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

---



**8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)**

**B. Significant Accounting Policies (Contd.)**

**(p) Financial Instruments (Contd.)**

**(ii) Marketable Securities**

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

**(iii) Trade Receivables**

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

**(iv) Trade Payables**

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**(v) Interest-Bearing Borrowings**

Interest-bearing bank loans are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are recognised in the income statement as an expense in the period in which they are incurred.

**(vi) Ordinary Shares**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Board of Directors or shareholders of the Company.

## 12. ACCOUNTANTS' REPORT (cont'd)

## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## C. Property, Plant and Equipment

	Freehold land RM'000	Building RM'000	Factory RM'000	Plant, machinery and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total As at 31.10.03 RM'000
<b>Proforma Group</b>							
<b>Cost/Valuation</b>							
At cost	4,057	216	2,678	36,169	2,830	5,524	51,474
At valuation	809	270	-	-	-	-	1,079
	4,866	486	2,678	36,169	2,830	5,524	52,553
Accumulated depreciation	-	149	1,179	30,133	2,365	4,312	38,138
<b>Net Book Value</b>							
At cost	4,057	183	1,499	6,036	465	1,212	13,452
At valuation	809	154	-	-	-	-	963
	4,866	337	1,499	6,036	465	1,212	14,415

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## C. Property, Plant and Equipment (Contd.)

- (a) Certain of the Proforma Group's freehold land and buildings were revalued by the Directors on 31 December 1981 based on independent professional valuation using the fair market value basis. As allowed by the transitional provisions of International Accounting Standard 16 (Revised), Property, Plant and Equipment, these assets have continued to be stated on the basis of their 31 December 1981 valuations.

The net book values of revalued land and buildings of the Proforma Group, had these assets been carried at cost less accumulated depreciation are as follows:

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Freehold land	-	173
Buildings	-	20
	-	<u>193</u>

- (b) The net book values of property, plant and equipment of the Proforma Group held under hire purchase arrangements are as follows:

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Motor Vehicles	-	372
Plant and Machinery	-	3,895
	-	<u>4,267</u>

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## D. Associated Companies

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Unquoted shares in Malaysia, at cost	-	1
Share of post acquisition losses	-	(3,237)
	-	(3,236)
Amount due from associated company	-	5,392
	-	2,156
Represented by:		
Premium on acquisition	-	-
Share of net assets	-	(3,236)
	-	(3,236)

The associated companies are disclosed in Note 2.3 of this report.

## E. Investments in Jointly Controlled Entities

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Share of retained profits	-	430
Amount due from jointly controlled entities	-	3,337
	-	3,767

The Proforma Group has a 50% interest in Projass-Mudajaya Joint Venture which is involved in the construction of power stations.

The following amount represents the Proforma Group's share of the net assets, liabilities, income and expenses of the jointly controlled entities.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## E. Investments in Jointly Controlled Entities (Contd.)

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Current assets	-	5,983
Current liabilities	-	(5,553)
Net Assets	-	430
Income and expenses	-	-

## F. Long Term Investments

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
At cost:		
Club memberships	-	64
Unquoted preference shares	-	70
Unquoted shares	-	1,000
	-	1,134

## G. Deferred Expenditure

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Deferred expenditure, at cost	562	2,500
Less: Written off	-	(2,500)
	562	-

Deferred expenditure is stated at cost and consist of professional fees and other related costs incurred in respect of the restructuring and listing of the Company's shares.

The deferred expenditure is written off against share premium arising from the Proposals.



## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## H. Development Properties

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Freehold land, at cost	-	2,424
Development cost incurred to date	-	379,911
		<hr/>
	-	382,335
Add: Attributable profits	-	56,150
		<hr/>
	-	438,485
Less: Progress billings	-	(402,672)
		<hr/>
	-	35,813
		<hr/> <hr/>

The land under development of a subsidiary company belongs to a third party and is developed by the subsidiary company pursuant to the Development Agreement and the Supplemental Agreement entered into on 22 July 1996 and 23 July 1996 respectively, between the subsidiary company and the third party, and the power of Attorney granted to the subsidiary company by the third party.

The Development Agreement and the Supplemental Agreement provide interalia for the payment in kind in return for the land contributed by the third party.

## I. Inventories

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
At cost :		
Raw materials and consumables	-	245
Finished goods	-	87
		<hr/>
	-	332
		<hr/> <hr/>

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## J. Trade Receivables

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Trade receivables	-	94,714
Less: Provision for doubtful debts	-	(6,147)
	<u>-</u>	<u>88,567</u>

The proceeds from a contract trade receivable of the Proforma Group of RM16,729,000 have been assigned to a bank as security for a term loan facility granted to a subsidiary company as disclosed in Note O.

## K. Short Term Investments

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
At cost:		
Quoted shares in Malaysia	-	1,395
Quoted Irredeemable Convertible Unsecured Loan Stocks ("ICULS") in Malaysia	-	1,001
	<u>-</u>	<u>2,396</u>
Less: Provision for diminution in value	-	(475)
	<u>-</u>	<u>1,921</u>

The market value of the quoted investments as at period end are as follows:

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Shares	-	1,201
ICULS	-	845
	<u>-</u>	<u>2,046</u>

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## L. Cash and Cash Equivalents

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	1	2,220
Deposits with licensed financial institutions	-	22,735
	1	24,955

Included in the cash and bank balances of the Proforma Group is RM15,625 held in trust account in accordance with Regulation 12 of the Housing Developers (Housing Development Account) Regulations 1991.

## M. Amount due to customers on contracts

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Progress billings	-	1,048,073
Less: Construction contract costs incurred to date	-	(946,169)
	-	101,904
Less: Attributable profits	-	(101,789)
	-	115
Amount due to customers on contracts	-	115

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## N. Hire purchase payables

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Minimum hire purchase payments:		
Not later than 1 year	-	2,260
Later than 1 year and not later than 5 years	-	697
	-	2,957
Less: Future finance charges	-	(166)
	-	2,791
Present value of hire purchase payments:		
Not later than 1 year	-	2,137
Later than 1 year and not later than 5 years	-	654
	-	2,791

## O. Bank borrowings

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Short term borrowings		
Secured:		
Term loan	-	2,000
Bridging loan	-	5,044
	-	7,044

The term loan is secured by an assignment of the contract proceeds as disclosed in Note J and by a guarantee from certain Directors of a subsidiary company.

The bridging loan is secured by a charge on a third party's land developed by a subsidiary company as disclosed in Note H and a corporate guarantee from a fellow subsidiary company.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## P. Share Capital

	Number of Shares '000	Amount RM '000
Authorised:		
Ordinary shares of RM0.50 each		
Company as at 31.10.2003 (Audited)	200	100
Creation of new ordinary shares of RM0.50 each	499,800	249,900
Proforma Group as at 31.10.2003	500,000	250,000
Issued and fully paid:		
Ordinary shares of RM0.50 each		
Company as at 31.10.2003 (Audited)	2	1
Acquisition	120,598	60,299
Public Issue	15,400	7,700
Proforma Group as at 31.10.2003	136,000	68,000

## Q. Non-distributable Reserves

	RM '000
Capital reserve:	
Company as at 31.10.2003 (Audited)	-
Acquisition	595
Proforma Group as at 31.10.2003	595

The non-distributable reserve is in respect of transfer to capital reserve arising from bonus shares issued by a subsidiary company.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## R. Share Premium

	RM '000
Company as at 31.10.2003 (Audited)	-
Premium arising from Public Issue	12,012
Less: Estimated listing expenses	<u>(2,500)</u>
Proforma Group as at 31.10.2003	<u><u>9,512</u></u>

The estimated listing expenses of RM2.5 million relating to the Proposals is written off against share premium account.

## S. Retained Profits

	RM '000
Company as at 31.10.2003 (Audited)	-
Acquisition	62,363
less: Merger deficit	<u>(30,149)</u>
Proforma Group as at 31.10.2003	<u><u>32,214</u></u>

The Acquisition is accounted for using the merger method of accounting as permitted under Malaysian Accounting Standards Board Standard 21 – Business Combinations. The merger deficit arising from the exchange of shares is adjusted against retained profits.

Based on the estimated tax exempt income and tax credits available, all of the retained profits of the Proforma Group are available for distribution as dividends without incurring additional tax liabilities.

## T. Deferred Taxation

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Deferred taxation	<u>-</u>	<u>716</u>

Deferred taxation of the Proforma Group arise from accelerated capital allowances.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

## U. Contingent Liability

	Company As at 31.10.2003 (Audited) RM'000	Proforma Group As at 31.10.2003 RM'000
Unsecured:		
Guarantees given by a subsidiary company to third parties in respect of construction projects	-	4,555

## V. Subsequent Events

On 5 November 2003, Mudajaya entered into a sale and purchase agreement with Man Hoe Properties Sdn Bhd for the sale of a piece of land together with the buildings erected thereon for a cash consideration of RM3,610,793. The sale was completed on 4 March 2004.

## 12. ACCOUNTANTS' REPORT (cont'd)


**9. PROFORMA CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 OCTOBER 2003**

The proforma consolidated cash flow statement of Mudajaya Group for the period ended 31 October 2003 set out below, is based on the audited financial statements of Mudajaya and MJC Group. The proforma consolidated cash flow statement is provided for illustrative purposes only, and has been presented on the basis that the Acquisition had been in effect throughout the financial period under review.

	<b>(10 months) 31.10.2003 RM'000</b>
<b>Cash Flows From Operating Activities</b>	
Profit before taxation	25,822
Adjustments for:	
Depreciation of property, plant and equipment	2,887
Gain on disposal of property, plant and equipment	(39)
Interest income	(1,227)
Interest expense	503
Share of results of associated companies	136
Provision for doubtful debts	5,517
Gain on disposal of short term investments	<u>(129)</u>
Operating profit before working capital changes	33,470
Changes in working capital:	
Receivables	(28,056)
Development properties	1,849
Inventories	82
Amount due to customer on contracts	(55)
Payables	(5,482)
Holding company	13,757
Related companies	17,230
Associated companies	(202)
Jointly controlled entities	<u>(1,334)</u>
Cash generated from operations	31,259
Income tax paid	<u>(6,071)</u>
Net cash generated from operating activities	25,188



## 12. ACCOUNTANTS' REPORT (cont'd)



## 9. PROFORMA CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 OCTOBER 2003 (CONTD.)

	(10 months) 31.10.2003 RM'000
<b>Cash Flows From Investing Activities</b>	
Purchase of property, plant and equipment	(1,321)
Proceeds from disposal of property, plant and equipment	42
Interest received	1,227
Dividend paid	(66,000)
Proceeds from disposal of short term investments	2,073
Investment in unquoted shares	(1,000)
Deferred expenditure	(562)
Net cash used in investing activities	(65,541)
<b>Cash Flows From Financing Activities</b>	
Interest paid	(503)
Drawdown of bank borrowings	5,044
Repayment of bank borrowings	(2,000)
Repayment of hire purchase financing	(1,694)
Net cash generated from financing activities	847
<b>Net Decrease In Cash And Cash Equivalents</b>	<b>(39,506)</b>
<b>Cash And Cash Equivalents At Beginning Of Financial Period</b>	<b>47,249</b>
<b>Cash And Cash Equivalents At End Of Financial Period</b>	<b>7,743</b>
Cash and cash equivalents comprise the following:	
Cash and bank balances	2,220
Deposits with licensed financial institutions	5,523
	<u>7,743</u>

Included in the cash and bank balances of the Proforma Group is RM15,625 held in trust account in accordance with Regulation 12 of the Housing Developers (Housing Development Account) Regulations 1991.

## 12. ACCOUNTANTS' REPORT (cont'd)



## 10. PROFORMA NET TANGIBLE ASSETS COVER

Based on the proforma statement of assets and liabilities of Mudajaya Group as at 31 October 2003, the net tangible assets ("NTA") per ordinary share after incorporating the adjustments for the Acquisition and Public Issue will be as follows:

## (i) NTA

	RM'000
NTA of Mudajaya as at 31.10.2003	(561)
Acquisition	<u>93,108</u>
NTA of Mudajaya Group after Acquisition	92,547
Proceeds from Public Issue	19,712
Less: Balance of estimated listing expenses	<u>(1,938)</u>
Proforma NTA	<u><u>110,321</u></u>

## (ii) SHARE CAPITAL

	Number of shares '000
As at 31.10.2003	2
Acquisition	<u>120,598</u>
After Acquisition	120,600
Public Issue	<u>15,400</u>
Enlarged issued and paid-up share capital	<u><u>136,000</u></u>

Based on the proforma NTA of RM110.321 million and the enlarged issued and paid-up share capital of 136 million ordinary shares of RM0.50 each, the proforma NTA per ordinary share of RM0.50 each on completion of the Proposals is RM0.81.

---

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

---



11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 October 2003.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ernst &amp; Young'.

ERNST & YOUNG  
AF: 0039  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Yeo Eng Seng'.

Yeo Eng Seng  
1212/12/04(J)  
Partner

Kuala Lumpur, Malaysia

13. DIRECTORS' REPORT

 **MUDAJAYA GROUP BERHAD** (605539-H)

Your Ref:

Our Ref:

17, Jalan Semangat, 46100 Petaling Jaya,  
Selangor Darul Ehsan, Malaysia.  
Tel : 03-7958 7899  
Fax : 03-7958 7900, 7957 3631  
E-mail: info@mudajaya.com  
http : //www.mudajaya.com

(Prepared for inclusion in this Prospectus)

**2 APR 2004**

**Registered Office:**

17, Jalan Semangat  
46100 Petaling Jaya  
Selangor Darul Ehsan

The Shareholders  
Mudajaya Group Berhad

Dear Sir/Madam

On behalf of the Directors of Mudajaya Group Berhad ("Mudajaya"), I report, after due inquiry that during the period from 31 October 2003 (being the date to which the last audited financial statements of Mudajaya and its subsidiaries ("Group") have been made) to 2 April 2004 (being a date not earlier than fourteen (14) days before the issue of this Prospectus):

- (a) the business of the Group has, in the opinion of the Board of Directors, been satisfactorily maintained;
- (b) in the opinion of the Board of Directors, no circumstances have arisen subsequent to the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;
- (e) there have been no default or known event subsequent to the last audited financial statements of the Group which give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors of Mudajaya are aware of; and
- (f) save as disclosed in this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profits of the Group.

Yours faithfully  
For and on behalf of  
the Board of Directors  
of **MUDAJAYA GROUP BERHAD**

  
Ng Ying Loong  
Managing Director