

14. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



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23 September 2003

Gentlemen

This report has been prepared by Messrs KPMG, an approved company auditor, for inclusion in the Prospectus dated 30 September 2003 in connection with the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of Century Bond Bhd. on the Second Board of the Kuala Lumpur Stock Exchange.

1. General Corporate Information

1.1 Century Bond Bhd ("CBB")

CBB was incorporated in Malaysia on 11 November 1991 as a private limited company under the name of Century Bond Sdn. Bhd.. On 11 August 2000, the Company was converted to a public company and assumed its present name.

The principal activity of the Company is investment holding.

The business of Century Bond Group is primarily focused on the manufacturing of paper and polymer-based packaging and trading of related packaging consumables. These activities include the following:

- Manufacturing of paper and polymer-based bags;
- Corrugating and converting of corrugated carton boxes;
- Manufacturing of protective packaging;
- Converting and marketing of packaging consumables.

Other non-packaging related activities of the Century Bond Group is in the manufacture of household care products and property holding. Household care products include, among others, dishwashing liquid, laundry detergents and window/glass cleaning liquid under the Group's own brand names and third party brands (more commonly referred to as private labels). In addition, the Group undertakes contract packing of other products such as adhesives, car care products.



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14. ACCOUNTANTS' REPORT (continued)

1.2 Subsidiaries

Details of the subsidiaries and associated companies of CBB as at 31 March 2003, all incorporated in Malaysia except otherwise stated, are as follows:-

Name	Date of incorporation	Issued and paid up share capital RM	Effective Equity interest %	Principal activities
Subsidiaries				
Eversynergy Sdn. Bhd.	27.01.1995	500,000	100	Property holding
Prestige Packages Sdn. Bhd.	16.02.1993	8,000,000	100	Manufacture and sale of corrugated carton boxes, multi-wall paper bags, woven laminated bags and pulp moulded products
Multiview Enterprises Sdn. Bhd.	17.10.1984	4,800,000	100	Sales and marketing of industrial packaging tapes, materials and machinery and household care products.
Prior Packaging Industries Sdn. Bhd.	26.03.1988	2,110,000	97	Manufacture and sale of expanded polyethylene foams and industrial carton staples
Southern FIBC Sdn. Bhd. ("Southern")	03.02.1994	500,000	83	Manufacture and sale of bulk bags
Polyplus Packages Sdn. Bhd.	28.01.1992	4,500,000	98.83	Manufacture and sale of corrugated carton boxes
Imej Duta Sdn. Bhd.	28.09.1994	250,000	100	Property holding
Brandpak Industries Sdn. Bhd.	16.03.1995	600,000	100	Manufacture and marketing of plastic bags and liners
Prestige Sales Sdn. Bhd.	11.03.1996	2	100	Sales and marketing of multi-wall bags, woven laminated bags and pulp moulded products

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Name	Date of incorporation	Issued and paid up share capital RM	Effective Equity interest %	Principal activities
Multiview Packaging Sdn. Bhd.	02.11.1992	465,000	100	Manufacture and trading of industrial packaging tapes and related products
Multiview (S) Pte Ltd ("MSPL") - incorporated in Singapore	16.03.1992	SGD100,000	100	Sales and marketing of household care products and packaging materials
Ready Chemical (M) Sdn. Bhd.	28.07.1984	600,000	78.33	Contract manufacturing and sales of household care products
Macro Chemicals Sdn. Bhd.	27.03.1997	100,000	100	Contract manufacturing of adhesive products
Imej Harmoni Sdn. Bhd.	20.03.1997	2	100	Property holding
Creative Chemical Sdn. Bhd.	11.07.1997	100,000	59.99	Sales and marketing of household care products
Polyplus Packages (Penang) Sdn. Bhd.	19.11.1991	250,000	79.06	Converting and marketing of corrugated carton boxes and trading of industrial packaging products
Associated Companies				
Gemilang Packaging Sdn. Bhd.	21.11.1997	100,000	49	Trading of corrugated carton boxes and packaging products
PB Packaging (M) Sdn. Bhd.	22.05.1998	200,000	49	Sale and marketing corrugated carton boxes and related products

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14. ACCOUNTANTS' REPORT (continued)**1.3. Dividend**

Details of dividends declared and paid by CBB during the financial years under review are as follows:-

<u>Company</u>	<u>Year ended</u>	<u>Issued and paid-up ordinary share capital</u> RM	<u>Gross dividend rate</u>	<u>Net dividend</u> RM
CBB	31.3.2000	10,000,000	3% (interim tax exempt) 17% (final tax exempt)	300,000 1,700,000
	31.3.2002	10,615,978	70.65% (interim tax exempt) 73% less 28% tax (interim)	7,500,000 5,580,000
	31.3.2003	10,615,978	52.33% less 28% tax (interim)	4,000,000

2. Financial Statements and Auditors

We have been appointed to act as statutory auditors of CBB group for the financial years under review except for Southern with effect from the financial year ended 31 March 2000 and MSPL.

The financial statements of CBB and its subsidiaries for the past five years under review were reported on without any modification.

3. Basis of preparation

This report has been prepared in compliance with applicable approved accounting standards in Malaysia and consistent with those previously adopted in the preparation of the financial statements of CBB Group except for the adoption of the policy on revaluation of landed properties and long term investments as disclosed in 8.1(d) and 8.1(g) with effect from the financial year ended 31 March 2003.

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14. ACCOUNTANTS' REPORT (continued)

4.1 Summary of Proforma Consolidated CBB Group's Results

We set out below the proforma consolidated group results of CBB based on the audited financial statements after making such adjustments (see footnote (d) below) considered necessary for the past five (5) financial years ended 31 March 2003.

	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	55,228	66,612	85,251	77,545	94,755
Cost of sales	(43,095)	(49,602)	(67,723)	(59,891)	(73,829)
Gross profit	12,133	17,010	17,528	17,654	20,926
Profit before depreciation and interest	9,232	13,253	13,174	13,933	15,690
Depreciation	(2,009)	(2,640)	(2,810)	(2,941)	(3,269)
Interest expenses	(1,968)	(1,166)	(1,433)	(880)	(763)
Share of (loss)/profit in associates	(14)	5	59	59	14
Profit before exceptional item and taxation	5,241	9,452	8,990	10,171	11,672
Exceptional item	4,750	453	--	--	--
Profit after exceptional item but before taxation	9,991	9,905	8,990	10,171	11,672
Taxation	(105)	(2,931)	(2,538)	(2,993)	(2,905)
Profit after taxation	9,886	6,974	6,452	7,178	8,767
Minority interest	(3)	(13)	(76)	(39)	(44)
Profit after taxation and minority interest	9,883	6,961	6,376	7,139	8,723
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	10,000	10,000	10,411	10,616	10,616
Earnings per share (RM)	0.99	0.70	0.61	0.67	0.82

Notes:

- (a) The exceptional items are in respect of insurance claim on fire consequential loss received by a subsidiary in 1999 due to a plant fire and a gain on disposal of a piece of leasehold land and building by a subsidiary in 2000.
- (b) Earnings per share for the financial years under review have been calculated based on profit after taxation and minority interest divided by the weighted average number of shares in issue.
- (c) The effective tax rate for the financial years ended 31 March 1999 and 2003 were lower than the statutory tax rate in Malaysia due to the waiver of income tax in 1999 on the profit in accordance with the provision of the Income Tax (Amendment) Act, 1999 and utilisation of reinvestment allowance in 2003 respectively. The effective tax rate for the financial years ended 31 March 2000 and 2002 were higher mainly due to certain expenses not deductible for tax purposes.

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(d) The pro forma consolidated group results are prepared on the assumption that the equity interest in subsidiaries as at 31 March 2003 have been in existence for the past 5 years under review. The reconciliation below sets out the audited group result after accounting for the result of additional equity interest in certain subsidiaries that were acquired during the periods under review.

	<u>1999</u> RM'000	<u>2000</u> RM'000	<u>2001</u> RM'000	<u>2002</u> RM'000	<u>2003</u> RM'000
Profit after taxation and minority interest					
Audited results	7,079	6,722	6,230	7,108	8,723
Reversal of minority interest	2,789	244	146	31	--
Adjustment for effect of associates that was previously subsidiaries	15	(5)	--	--	--
Pro forma results	<u>9,883</u>	<u>6,961</u>	<u>6,376</u>	<u>7,139</u>	<u>8,723</u>

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4.2 Summary of CBB Company's Results

We set below the financial results of CBB based on its audited financial statements for the past five (5) financial years ended 31 March 2003.

	<u>1999</u> RM'000	<u>2000</u> RM'000	<u>2001</u> RM'000	<u>2002</u> RM'000	<u>2003</u> RM'000
Revenue	6,686	276	288	15,394	5,700
Cost of services	(122)	(199)	(194)	--	--
Gross profit	6,564	77	94	15,394	5,700
Profit/(loss) before depreciation and interest	6,294	1	(103)	15,148	5,485
Depreciation	(65)	(65)	(59)	--	--
Interest expenses	(35)	(29)	(7)	--	--
(Loss)/Profit before taxation	6,194	(93)	(169)	15,148	5,485
Taxation	--	--	(4)	(2,170)	(1,556)
(Loss)/Profit after taxation	6,194	(93)	(173)	12,978	3,929

Weighted average number of ordinary shares of RM1.00 each in issue ('000)	10,000	10,000	10,411	10,616	10,616
(Loss)/Earnings per share (RM)	0.62	(0.01)	(0.02)	1.22	0.37

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5. Summarised Balance Sheets

5.1 Consolidated Balance Sheet of CBB

The balance sheets of the Group based on its audited financial statements for the years ended 31 March 1999 to 31 March 2003 are set out below:

	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Property, plant and equipment	28,128	29,048	30,254	30,948	37,839
Investments in associates	22	--	140	195	203
Investments in quoted shares	--	41	7	7	7
Goodwill	187	178	192	202	433
	<u>28,337</u>	<u>29,267</u>	<u>30,593</u>	<u>31,352</u>	<u>38,482</u>
Current assets					
Inventories	10,780	17,966	18,656	14,645	18,630
Trade and other receivables	18,230	23,749	20,351	20,349	24,643
Due from associates	20	--	101	164	1,031
Cash and cash equivalents	3,848	3,442	1,680	3,590	11,456
	<u>32,878</u>	<u>45,157</u>	<u>40,788</u>	<u>38,748</u>	<u>55,760</u>
Less: Current liabilities					
Trade and other payables	9,484	13,923	8,124	9,609	12,401
Borrowings	9,862	12,390	11,788	3,957	16,682
Taxation	2,855	2,718	2,363	1,898	501
Dividends payable	--	1,700	--	13,080	12,080
	<u>22,201</u>	<u>30,731</u>	<u>22,275</u>	<u>28,544</u>	<u>41,664</u>
Net current assets	10,677	14,426	18,513	10,204	14,096
Expenditure carried forward	89	40	--	--	--
	<u>39,103</u>	<u>43,733</u>	<u>49,106</u>	<u>41,556</u>	<u>52,578</u>
Financed by:					
Capital and reserves					
Share capital	10,000	10,000	10,616	10,616	10,616
Share premium	--	--	1,848	1,848	1,848
Capital reserves	83	84	59	47	6,507
Retained profits	16,556	21,278	27,508	21,536	26,259
	<u>26,639</u>	<u>31,362</u>	<u>40,031</u>	<u>34,047</u>	<u>45,230</u>
Negative goodwill	2,388	2,324	2,133	2,032	--
Minority shareholders' interests	4,629	4,939	2,801	2,952	798
Long term and deferred liabilities					
Borrowings	4,671	3,939	2,707	709	2,316
Deferred taxation	776	1,169	1,434	1,816	4,234
	<u>5,447</u>	<u>5,108</u>	<u>4,141</u>	<u>2,525</u>	<u>6,550</u>
	<u>39,103</u>	<u>43,733</u>	<u>49,106</u>	<u>41,556</u>	<u>52,578</u>
NTA per share (RM)	<u>2.88</u>	<u>3.35</u>	<u>3.95</u>	<u>3.38</u>	<u>4.22</u>

Note:

- i) Net tangible assets per share is computed based on the total number of CBB shares in issue.

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5.2 Company

The balance sheets of CBB based on its audited financial statements for the financial years ended 31 March 1999 to 31 March 2003 are set out below:-

	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Property, plant and equipment	128	63	4	--	--
Investments in subsidiaries	17,969	17,969	20,433	20,848	52,188
	18,097	18,032	20,437	20,848	52,188
Current assets					
Other receivables	95	107	100	115	563
Due from subsidiaries	1,856	2,944	1,331	14,103	11,265
Cash and bank balances	18	--	42	6	10
	1,969	3,051	1,473	14,224	11,838
Less: Current liabilities					
Other payables and accruals	2,972	2,611	231	102	199
Due to subsidiaries	824	2,680	5,314	5,627	6,717
Hire purchase creditors	64	18	--	--	--
Taxation	23	--	--	--	--
Dividends payable	--	1,700	--	13,080	12,080
	3,883	7,009	5,545	18,809	18,996
Net current liabilities	(1,914)	(3,958)	(4,072)	(4,585)	(7,158)
	16,183	14,074	16,365	16,263	45,030
Financed by:					
Capital and reserves					
Share capital	10,000	10,000	10,616	10,616	10,616
Share premium	--	--	1,848	1,848	1,848
Capital reserves	23	23	23	23	28,861
Retained profits	6,144	4,051	3,878	3,776	3,705
	16,167	14,074	16,365	16,263	45,030
Hire purchase creditors	16	--	--	--	--
	16,183	14,074	16,365	16,263	45,030
NTA per share	1.62	1.41	1.54	1.53	4.24

Note:

- i) Net tangible assets per share is computed based on the total number of CBB shares in issue.

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6. Consolidated Cash Flow Statement

We set out below the consolidated CBB Group cash flows for the financial year ended 31 March 2003 as follows:

	Group RM'000	Company RM'000
Cash flows from operating activities		
Profit before tax	11,672	5,485
Adjustments for:-		
Depreciation	3,268	--
Interest expense	763	--
Amortisation of negative goodwill	(125)	--
Amortisation of goodwill	25	--
Interest income	(101)	--
Gain on disposal of property, plant and equipment	(73)	--
Unrealised gain on foreign exchange	(127)	--
Share of profit in associates	(14)	--
Gross dividend receivable	--	(5,556)
Property, plant and equipment written off	1	--
Deficit on revaluation of investment in subsidiaries	--	99
Operating profit before working capital changes	15,289	28
Changes in working capital:		
Inventories	(3,985)	--
Trade and other receivables	(4,168)	(448)
Trade and other payables	2,820	97
Due from/to subsidiaries	--	7,928
Due from an associates	(867)	--
Cash generated from operations	9,089	7,605
Interest received	101	--
Income taxes paid	(3,566)	--
Net cash generated from operating activities	5,624	7,605
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,002)	--
Proceed from disposal of property, plant and equipment	273	--
Acquisition of shares in a subsidiary from minority shareholders	(2,601)	(2,601)
Net placement of fixed deposits	(20)	--
Net cash used in investing activities	(6,350)	(2,601)
Cash flows from financing activities		
Repayment of term loan	(2,003)	--
Net short term borrowings	12,477	--
Payment to hire purchase creditors	(122)	--
Drawdown of term loan	2,198	--
Dividend paid	(5,000)	(5,000)
Interest paid	(763)	--
Net cash generated from/(used in) financing activities	6,787	(5,000)
Net increase in cash and cash equivalents	6,061	4
Cash and cash equivalents at beginning of year	2,985	6
Cash and cash equivalents at end of year	9,046	10
Cash and cash equivalents comprise:		
Cash and bank balances	3,363	10
Deposits with licensed bank	8,073	--
Bank overdrafts	(2,390)	--
	9,046	10

14. ACCOUNTANTS' REPORT (continued)

7. Statement Of Assets And Liabilities

The following statement of assets and liabilities has been prepared based on the audited financial statements of the CBB Group as at 31 March 2003.

	Notes	Group RM'000	Company RM'000
Property, plant and equipment	8.2	37,839	--
Investments in subsidiaries	8.3	--	52,188
Investments in associates	8.4	203	--
Investments in quoted shares	8.5	7	--
Goodwill	8.6	433	--
		<u>38,482</u>	<u>52,188</u>
Current assets			
Inventories	8.7	18,630	--
Trade and other receivables	8.8	24,643	563
Due from associates		1,031	--
Due from subsidiaries		--	11,265
Cash and cash equivalents	8.9	11,456	10
		<u>55,760</u>	<u>11,838</u>
Current liabilities			
Trade and other payables	8.10	12,401	199
Due to subsidiaries		--	6,717
Borrowings	8.11	16,682	--
Taxation		501	--
Dividends payable		12,080	12,080
		<u>41,664</u>	<u>18,996</u>
Net current assets		<u>14,096</u>	<u>(7,158)</u>
		<u>52,578</u>	<u>45,030</u>
Financed by:-			
Capital and reserves			
Share capital	8.12	10,616	10,616
Reserves	8.13	34,614	34,414
		<u>45,230</u>	<u>45,030</u>
Minority shareholders' interests		798	--
Long term and deferred liabilities			--
Borrowings	8.11	2,316	--
Deferred taxation		4,234	--
		<u>6,550</u>	<u>--</u>
		<u>52,578</u>	<u>45,030</u>

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14. ACCOUNTANTS' REPORT (continued)**8. Significant Accounting Policies Notes to the Statement of Assets and Liabilities****8.1 Summary of significant accounting policies****(a) Basis of accounting**

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes and in compliance with the provisions of the Companies Act, 1965 and 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.

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.

(d) Property, plant and equipment

Freehold land is stated at valuation. All other property, plant and equipment are stated at cost or valuation less accumulated depreciation.

The Group revalues its property comprising land and building during the year and subsequently every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit is offset against revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

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Depreciation

Freehold land is not amortised. Leasehold land is amortised in equal instalments over unexpired lease period of 23 to 28 years while buildings are depreciated on a straight-line basis over the shorter of 50 years or the lease period. Other property, plant and equipment are depreciated on a straight-line basis so as to write off the cost of the property, plant and equipment over their estimated useful lives as follows:

Plant and machinery	8% -10%
Office equipment, furniture and fittings	10% - 25%
Motor vehicles	20%

(e) **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 and accumulated impairment losses.

Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 20 years.

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

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets that are depreciable/ amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

Negative goodwill is transferred to revaluation reserve when the Group revalue the long term investments.

In all other cases, the negative goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 20 years.

(f) **Finance leases**

Leases (including hire purchase) in which the Group assume substantially all the risks and rewards of ownership are classified as finance lease. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine if not, the Group's incremental borrowing rate is used.

(g) **Investments**

Long term investments are stated at valuation. The Group revalues its long term investments during the year and subsequently every five years.

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Any surplus arising from revaluation is dealt with in the investment revaluation reserve. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase from the same investment. In all other cases, a decrease in the carrying amount is charged to the income statement.

Long term investments are revalued based on the net tangible assets value of the investments as at 31 March 2003.

On the sale of a revalued investment, the portion of revaluation surplus pertaining to that investment will be realised and transferred to revenue reserves.

Quoted investments are stated at the lower of cost and market value on a portfolio basis.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and an appropriate proportion of production overheads.

(i) Trade and other receivables

Trade and other receivables, amounts due from associates and subsidiaries are stated at cost less allowance for doubtful debts.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with banks. For the purpose of the cash flow statement, cash and cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Liabilities

Borrowings, trade and other payables and amounts due to subsidiaries are stated at cost.

(l) Impairment

The carrying amount of the Group's assets, other than inventories (refer note 8.1(h)) and financial assets (other than investments in subsidiaries and associates) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is 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. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

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 reverse 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.

14. ACCOUNTANTS' REPORT (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

(m) Foreign currency**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	<u>2003</u>	<u>2002</u>
	RM	RM
1 US Dollar	3.80	3.80
1 Singapore Dollar	2.14	2.05

(n) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

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14. ACCOUNTANTS' REPORT (continued)

8.2 Property, plant and equipment

<i>Group</i>	Land and buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost/Valuation					
At 1 April 2002	17,251	22,410	3,163	2,046	44,870
Additions	1,612	2,231	158	--	4,001
Disposals	--	(230)	--	(170)	(400)
Write off	--	--	(2)	--	(2)
Revaluation	4,206	--	--	--	4,206
Exchange adjustments	--	--	4	--	4
At 31 March 2003	23,069	24,411	3,323	1,876	52,679
Representing items at:					
Cost	--	24,411	3,323	1,876	29,610
Directors' valuation - 2003	23,069	--	--	--	23,069
	23,069	24,411	3,323	1,876	52,679
Depreciation					
At 1 April 2002	2,153	8,375	1,828	1,565	13,921
Charge for the year	682	2,131	299	156	3,268
Disposals	--	(30)	--	(170)	(200)
Revaluation	(2,153)	--	--	--	(2,153)
Exchange adjustments	--	--	4	--	4
At 31 March 2003	682	10,476	2,131	1,551	14,840
Net book value					
At 31 March 2003	22,387	13,935	1,192	325	37,839

RM'000

Net book value of land and buildings**At valuation**

Freehold land	1,811
Short term leasehold land	5,510
Buildings	15,066
	<u>22,387</u>

Revaluation

Land and buildings are stated at Directors' valuation based on professional valuation made by Mr. Prem Kumar, Mr. Kow Lay Seng, Mr. G. Paremes Sivam and Mr. Tay Tam, registered valuers in Messrs Jones Lang Wootton on the open market basis conducted in September 2002. The revaluation was effected on 1 April 2002.

Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would be as follows:

	RM'000
Freehold land	1,376
Short term leasehold land	3,116
Buildings	11,696
	<u>16,188</u>

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14. ACCOUNTANTS' REPORT (continued)

Security

The property, plant and equipment of the Group and of the Company with a net book value of RM10,268,006 are charged to a bank as security for credit facilities as disclosed in Note 8.11.

Assets under hire purchase

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase with a net book value of RM9,750.

8.3 Investments in subsidiaries

	Company RM'000
Unquoted shares	
- At valuation	52,188

8.4 Investments in associates

	Group RM'000
Unquoted shares in associates – At cost	114
Share of post acquisition retained profits	89
	<u>203</u>
Represented by:-	
Share of net assets of associates	<u>203</u>

8.5 Investments in quoted shares

	Group RM'000
<i>Quoted shares in Malaysia</i>	
At cost	41
Less: Allowance for diminution in value	(34)
	<u>7</u>
Market value at year end	<u>3</u>

8.6 Goodwill

	Group RM'000
<i>Cost</i>	
At 1 April 2002	238
Acquisition of additional shares from minority interests	255
	<u>493</u>
At 31 March 2003	<u>493</u>
<i>Amortisation</i>	
At 1 April 2002	35
Amortisation charge for the year	25
	<u>60</u>
At 31 March 2003	<u>60</u>
<i>Net book value</i>	
At 31 March 2003	<u>433</u>

During the year, the Company acquired an additional 17% equity interest in a subsidiary at a consideration of RM2,601,000 which represents RM3.40 per ordinary share.

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14. ACCOUNTANTS' REPORT (continued)

8.7 Inventories

	Group RM'000
<i>At cost</i>	
Finished goods	3,298
Work-in-progress	754
Raw materials	14,578
	<u>18,630</u>

8.8 Trade and other receivables

	Group RM'000	Company RM'000
Trade receivables	21,662	--
Other receivables, deposits and prepayments	2,981	563
	<u>24,643</u>	<u>563</u>

8.9 Cash and cash equivalents

	Group RM'000	Company RM'000
Deposits with licensed banks	8,093	--
Cash and bank balances	3,363	10
	<u>11,456</u>	<u>10</u>

Included in fixed deposits is RM20,000 pledged for a bank guarantee facility granted to a subsidiary.

8.10 Trade and other payables

	Group RM'000	Company RM'000
Trade payables	7,356	--
Other payables and accruals	4,856	199
Due to Director	189	--
	<u>12,401</u>	<u>199</u>

8.11 Borrowings

	Secured RM'000	Group Unsecured RM'000	Total RM'000
<i>Current</i>			
- Term loans	417	200	617
- Bankers' acceptance	1,512	2,127	3,490
- Trust receipts	616	9,413	10,178
- Bank overdrafts	413	1,977	2,390
- Hire purchase creditors	7	--	7
	<u>2,965</u>	<u>13,717</u>	<u>16,682</u>
<i>Non-current</i>			
- Term loans	1,683	633	2,316
Total borrowings	<u>4,648</u>	<u>14,350</u>	<u>18,998</u>

The secured portion of the short term borrowings and term loans are secured by fixed charge on the land and buildings of certain subsidiaries and debentures creating fixed and floating charges over the present and future assets of a subsidiary.

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14. ACCOUNTANTS' REPORT (continued)

Interest on bankers' acceptances are charged at 4.6% to 5.4% per annum. Interest on other short term borrowings are charged at 1% to 2% per annum above the bankers' base lending rate.

The term loans of the Group are repayable by various equal instalments ranging from five to seven years. Interest on term loans are charged at 1.7% to 2% per annum above the bankers' base lending rates and a fixed rate of 6.5% per annum.

8.12 Share capital

	Group/Company RM'000
Ordinary shares of RM1.00 each:	
Authorised	25,000
Issued and fully paid	10,616

8.13 Reserves

	Group RM'000	Company RM'000
<i>Non-distributable</i>		
Share premium	1,848	1,848
Revaluation reserve	6,431	28,861
Exchange fluctuation reserves	76	--
<i>Distributable</i>		
Retained profits	26,259	3,705
	<u>34,614</u>	<u>34,414</u>

8.14 Commitment

	Group RM'000
<i>Property, plant and equipment</i>	
Contracted but not provided for	1,938
Authorised but not contracted for	10,800

8.15 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group and Company's business.

Credit risk

The management does not have a written credit policy. However, the exposure to credit risk is monitored on an ongoing basis by a Group credit controller who reports to the Managing Director. Credit evaluations are performed on all customers requiring credit over a certain amount.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset, other than investments in quoted shares, investments in subsidiaries and investments in associates.

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14. ACCOUNTANTS' REPORT (continued)

Interest rate risk

The Group's exposure to changes in interest rates relate primarily to deposits with licensed banks and borrowings.

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollar and Singapore Dollar.

The foreign currency risk arising from transactions denominated in US Dollar is mitigated as Ringgit Malaysia is currently pegged to US Dollar.

Effective interest rate and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates and repricing analysis at balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000
Financial asset				
Deposits with licensed banks	2.82	8,093	8,093	--
Financial liabilities				
Hire purchase	8.20	7	7	--
Term loan				
- secured (variable rate)	8.25	2,100	2,100	--
- unsecured (fixed rate)	6.50	833	200	633
Overdrafts				
- secured	8.30	413	413	--
- unsecured	8.30	1,977	1,977	--
Bankers' acceptances				
- secured	4.73	1,512	1,512	--
- unsecured	5.13	1,978	1,978	--
Trust receipts				
- secured	8.03	616	616	--
- unsecured	8.21	9,562	9,562	--

Fair values**Recognised financial instruments**

The carrying amounts of financial assets and liabilities (other than secured term loan, investment in quoted shares, investments in subsidiaries and investments in associates) approximate fair value due to the relatively short term nature of these financial instruments.

The secured term loan at balance sheet date approximate to its fair value due to its floating rate nature. The unsecured term loan approximates its fair value as there is no change in the interest charged on similar kind of borrowings in the market.

The fair value of the investment in quoted shares is stated in Note 8.5.

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14. ACCOUNTANTS' REPORT (continued)**9. PROFORMA NET TANGIBLE ASSETS COVER**

Based on the statement of proforma assets and liabilities of the Group as at 31 March 2003, the proforma net tangible assets ("NTA") cover per share is calculated as follows:

	RM'000
NTA per statement of assets and liabilities as at 31 March 2003	44,797
Add: Gross proceeds from the proposed public issue of 6,517,000 ordinary shares of RM1.00 each at an issue price of RM1.70 each	11,079
Less : Listing expenses	<u>(1,800)</u>
Pro forma NTA after the proposed listing	<u>54,076</u>
Number of share in issue as at 31 March 2003 ('000)	10,616
Add: Bonus issue of 22,867,022 ordinary shares of RM1.00 each on the basis of 2.154 new ordinary shares for every one existing ordinary share held	22,867
Public issue of 6,517,000 ordinary shares at an issue price of RM1.70 each	<u>6,517</u>
Number of share in issue after proposed listing	<u>40,000</u>
NTA cover per ordinary share after proposed listing (RM)	<u>1.35</u>

10. SUBSEQUENT EVENTS

There were no material subsequent events occurred in the interval between the date of the last audited financial statements for the financial year ended 31 March 2003 and the date of this report.

No audited financial statements of CBB and its subsidiaries have been made up in respect of any period subsequent to 31 March 2003.

Yours faithfully



KPMG
Firm No.: AF 0758
Chartered Accountants



Ang Ah Leck
Partner
Approval Number: 1991/09/05 (J)

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