

13. ACCOUNTANTS' REPORT
(Prepared for the inclusion in this Prospectus)



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The Board of Directors
Crest Builder Holdings Berhad
14-2, Jalan 4A/27A
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Dear Sirs,

1. INTRODUCTION

This report has been prepared by Messrs GEP Associates, an approved company auditor, for inclusion in the Prospectus of Crest Builder Holdings Berhad ("CBHB" or "the Company") to be dated 23 April 2003 in connection with the following :-

- i) Incorporation of a new public limited company in Malaysia, Crest Builder Holdings Berhad ("CBHB") for the purpose of implementing the Restructuring Scheme;
- ii) Acquisition by CBHB of MGR Corporation Berhad (Special Administrators Appointed) ("MGR") involving the issuance of 2,512,500 new ordinary shares of RM1-00 each in CBHB ("CBHB shares") to the existing shareholders of MGR on the basis of one (1) new CBHB share for every twenty (20) ordinary shares of RM1-00 each in MGR ("MGR shares") held ("Share Exchange");
- iii) Acquisition by CBHB of the entire issued and paid-up share capital of Crest Builder Sdn Bhd ("CBSB") from the vendors of CBSB, namely Yong Soon Chow ("YSC"), Koh Hua Lan, Pertiwi Positif Sdn Bhd, Takrif Jaya Sdn Bhd and Capai Hasil Sdn Bhd (collectively known as "CBSB vendors") for a total consideration of RM92,727,000 to be satisfied by the issuance of 92,727,000 new CBHB shares at an issue price of RM1-00 per CBHB share ("Acquisition of CBSB");
- iv) Exemption to the CBSB vendors from the obligation to undertake a mandatory take-over offer for the remaining CBHB shares not already owned by the CBSB vendors upon the completion of the acquisition of CBSB;
- v) Debt settlement of the amount owing by MGR to the creditors of MGR ("MGR Creditors") involving the following :-
 - (1) Cash payment of RM7,000,000 to MGR, MGR Creditors and / or the agent of the MGR Creditors ("MGR Creditors' Agent");

- (2) Issue of RM18,500,000 nominal value of ICULS at 100% of the nominal value of RM1-00 each and RM10,000,000 nominal value of RCULS at 100% of the nominal value of RM1-00 each by CBHB to MGR, MGR Creditors and / or MGR Creditors' Agent;
 - (3) Transfer of 3,000,000 CBHB shares from YSC to MGR, MGR Creditors and / or MGR Creditors' Agent; and
 - (4) Put and call options in respect of the ICULS and RCULS to be entered into between YSC and MGR, MGR Creditors and / or MGR Creditors' Agent;
- vi) Rights issue of 24,000,000 warrants by CBHB to the shareholders of CBHB upon the completion of the Share Exchange and Acquisition of CBSB on the basis of 1.008 warrants for every four (4) CBHB shares held at an issue price of RM0-30 per warrant;
- vii) Offer for sale/placement by YSC and MGR, MGR Creditors and / or MGR Creditors' Agent of 16,200,000 CBHB shares to the former MGR shareholders and Malaysian public, including but not limited to directors, employees, customers, suppliers and business associates of CBHB and its subsidiaries ("CBHB Group") and potential investors at an offer price of RM1-00 per CBHB share;
- viii) Offer for sale by MGR, MGR Creditors and / or MGR Creditors' Agent of RM100,000 nominal value of ICULS at 100% of the nominal value at RM1-00 each and RM100,000 nominal value of RCULS at 100% of the nominal value of RM1-00 each to the employees of the CBHB Group;
- ix) Transfer of the listing status of MGR on the Second Board of Kuala Lumpur Stock Exchange ("KLSE") to CBHB; and
- x) Disposal of the entire issued and paid-up share capital of MGR to the Special Administrators of MGR ("SA") or to a special purpose vehicle nominated by the SA for a nominal consideration of RM1-00.

(Hereinafter collectively referred to as the "Restructuring Scheme")

2. GENERAL INFORMATION

2.1 CBHB

CBHB was incorporated on 9 March 2002 as a public limited company under the Companies Act, 1965.

At the date of incorporation, CBHB's authorised share capital was RM500,000,000 divided into 500,000,000 ordinary shares of RM1-00 each. There were no changes to the authorised share capital since incorporation.

10,000 subscribers' shares of RM1-00 each were issued at par upon incorporation. There were no further changes to the issued and paid-up share capital.

Upon successful implementation of the Share Exchange and Acquisition of CBSB, the issued and paid-up share capital of CBHB will be RM95,249,500 comprising 95,249,500 ordinary shares of RM1-00 each.

Upon successful conversion of ICULS, the issued and paid-up share capital of CBHB will increase to RM113,749,500 comprising 113,749,500 ordinary shares of RM1-00 each.

In the event that the RCULS were converted, the issued and paid-up share capital of CBHB will increase to RM123,749,500 comprising 123,749,500 ordinary shares of RM1-00 each.

In the event that all the 24,000,000 warrants are exercised, the issued and paid-up share capital of CBHB will increase to RM147,749,500 comprising 147,749,500 ordinary shares of RM1-00 each.

2.2 CBSB

CBSB was incorporated on 21 November 1983 as a private limited company under the Companies Act, 1965.

At the date of incorporation, CBSB's authorised share capital was RM500,000 divided into 500,000 shares of RM1-00 each.

Presently, the authorised share capital of CBSB is RM25,000,000 comprising 25,000,000 ordinary shares of RM1-00 each.

Details of changes in the issued and paid-up share capital of CBSB since its incorporation to 31 December 2002 are as follows :-

Date of allotment	No. of ordinary shares of RM1-00 each allotted	Consideration	Total issued and paid-up share capital RM
21.11.1983	2	Cash; subscribers' shares	2
21.09.1988	99,998	Cash	100,000
20.04.1990	300,000	Cash	400,000
25.07.1991	600,000	Cash	1,000,000
28.04.1994	1,000,000	Bonus issue on the basis of one (1) new ordinary share for every existing ordinary share held	2,000,000
15.08.1995	2,000,000	Bonus issue on the basis of one (1) new ordinary share for every existing ordinary share held	4,000,000
12.03.1998	4,000,000	Bonus issue on the basis of one (1) new ordinary share for every existing ordinary share held	8,000,000

30.05.2001	8,000,000	Bonus issue on the basis of one (1) new ordinary share for every existing ordinary share held	16,000,000
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The principal activities of CBSB are that of investment and general construction.

2.3 Crestland Development Sdn Bhd ("CLSB")

CLSB was incorporated on 20 September 1994 as a private limited company under the Companies Act, 1965. CLSB became a subsidiary of CBSB on 31 December 2001.

At the date of incorporation, CLSB's authorised share capital was RM1,000,000 divided into 1,000,000 shares of RM1-00 each.

Presently, the authorised share capital of CLSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1-00 each.

Details of changes in the issued and paid-up share capital of CLSB since its incorporation to 31 December 2002 are as follows :-

Date of allotment	No. of ordinary shares of RM1-00 each allotted	Consideration	Total issued and paid-up share capital RM
20.09.1994	2	Cash; subscribers' shares	2
31.12.2001	1,962,947	Capitalisation of advances; rights issue	1,962,949
31.12.2001	37,051	Cash; rights issue	2,000,000

The principal activity of CLSB is that of a property investment company.

3. DIVIDENDS

There were no dividends paid or declared by CBHB, CBSB and CLSB in respect of the financial years under review other than an interim tax exempt dividend paid of 6.25 sen per share amounting to RM1,000,000 by CBSB for the financial year ended 31 December 2001.

4. AUDITORS AND AUDITED FINANCIAL STATEMENTS

We are appointed as the first auditors of CBHB since its incorporation.

We have acted as auditors of CBSB with effect from the year ended 31 December 1997. Prior to that, CBSB was audited by other firms of chartered accountants.

CLSB was audited by another firm of chartered accountants since its incorporation until we were appointed as auditors of CLSB with effect from the year ended 31 December 2001.

The financial statements of CBHB, CBSB and CLSB were reported upon without any audit qualification during the financial years covered in this report.

5. ACCOUNTING POLICIES AND STANDARDS

This report is prepared on bases and accounting principles consistent with those previously adopted in the preparation of the financial statements of the respective companies.

This report also complies with approved accounting standards issued by the Malaysian Accounting Standards Board (hereinafter referred to as "MASB").

6. SUMMARISED CONSOLIDATED PROFORMA INCOME STATEMENTS

- 6.1 A summary of the proforma consolidated results of the CBHB Group for the five (5) financial years ended 31 December 2002 which is prepared on the assumption that the structure of the CBHB Group upon completion of the Restructuring Scheme has been in existence throughout the financial years under review and is presented for illustrative purposes only, and the notes to be read in conjunction with these results, are as follows :-

	<-----Year ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	40,829	73,029	91,405	127,956	151,401
Cost of sales	(34,182)	(61,138)	(79,475)	(104,799)	(123,952)
Depreciation	(660)	(709)	(698)	(1,170)	(1,974)
Gross profit	5,987	11,182	11,232	21,987	25,475
Other operating income	771	516	758	722	699
	6,758	11,698	11,990	22,709	26,174
Administrative expenses	(3,408)	(4,330)	(4,354)	(6,051)	(4,722)
Depreciation	(697)	(622)	(829)	(1,151)	(1,172)
Profit from operations	2,653	6,746	6,807	15,507	20,280
Finance costs	(1,432)	(811)	(642)	(481)	(377)
Profit before taxation	1,221	5,935	6,165	15,026	19,903
Income tax expense	(468)	558	(1,812)	(4,822)	(5,615)
Profit after taxation	753	6,493	4,353	10,204	14,288
Number of ordinary shares assumed in issue	95,249,500	95,249,500	95,249,500	95,249,500	95,249,500
Net earnings per share (sen)	0.79	6.82	4.57	10.71	15.00
Gross dividend per share (sen)	-	-	-	-	-

Commentaries :

- i) *For the financial year ended 31 December 1998, revenue decreased by 28.65% mainly due to the softening of the construction industry as a result of the economic downturn. As a consequence, CBHB Group had secured less projects. Nevertheless, profit before tax increased by 19.49% as gross margins rose from 9.76% in 1997 to 14.66% in 1998. This is mainly attributed to the ability of the CBHB Group to obtain favourable discounts on direct materials, labour and overheads.*

- ii) *For the financial year ended 31 December 1999, both revenue and profit before tax increased significantly by 78.87% and 386.23% respectively mainly due to new projects secured amounting to approximately RM116 million.*
- iii) *The strong revenue growth trend continued for the financial year ended 31 December 2000 as the value of contracts secured soared to approximately RM124 million. However, profit before tax only increased by 3.88% as revenue from projects recognised fetched lesser margins than those in the financial year ended 31 December 1999.*
- iv) *As a result of government expansionary fiscal policy on the construction industry, CBHB Group secured further projects amounting to approximately RM161million for the financial year ended 31 December 2001. The implication was a sustainable growth trend both in terms of revenue and profit before tax for the CBHB Group. Revenue and profit before tax increased significantly by 39.99% and 143.75% respectively for the financial year ended 31 December 2001.*
- v) *For the financial year ended 31 December 2002, both revenue and profit before tax increased by 18.32% and 33.03% to approximately RM151 million and RM20 million respectively mainly due to new projects secured amounting to approximately RM325 million.*

Notes :

- i) The proforma consolidated income statements of the CBHB Group are prepared for illustrative purpose only and are based on the audited financial statements of CBSB and CLSB for the relevant financial years under review.
- ii) The proforma consolidated income statements for the financial years ended 31 December 1998 to 2001 were arrived at after making necessary adjustments for restatements, where applicable, for prior years adjustments to the financial statements.
- iii) The net earnings per share has been calculated based on the profit after taxation and the number of ordinary shares assumed in issue pursuant to the Share Exchange and Acquisitions of CBSB.
- iv) All significant inter-company transactions have been eliminated on consolidation.
- v) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999. The negative taxation charge in 1999 relates to overprovision of tax in prior year.
- vi) The effective tax rates for the financial years ended 31 December 1998, 2000, 2001 and 2002 were higher than the statutory tax rates mainly due to different treatment of certain expense items which were not allowable for deduction in accordance to tax legislation.
- vii) There was no extraordinary or exceptional item in respect of all the financial years under review.

6.2 The audited results of CBHB for the financial period from 9 March 2002 to 31 December 2002 is as follows :-

<u>CBHB</u>	Period from 09/03/2002 to 31/12/2002 RM'000
Revenue	-
Cost of sales	-
Gross profit	-
Other operating income	-
Administrative expenses	(86)
Depreciation	-
Loss from operations	(86)
Finance costs	-
Loss before taxation	(86)
Income tax expense	-
Loss after taxation	(86)
Number of ordinary shares in issue at the end of the period	10,000
Weighted average number of ordinary shares in issue	10,000
Net loss per share (sen)	(858.78)
Gross dividend per share (sen)	-

Notes :

- i) No financial statements were prepared prior to 31 December 2002 except for the interim financial statements for the period ended 30 September 2002.
- ii) The net loss per share has been calculated based on loss after taxation and the weighted average number of shares in issue for the financial period ended 31 December 2002.
- iii) There were no extraordinary or exceptional items in respect of the financial period under review.

- 6.3 The consolidated audited results of CBSB ("CBSB Group") for the financial year ended 31 December 2001 and the financial year ended 31 December 2002 are as follows :-

<u>CBSB GROUP</u>	2001 RM'000	2002 RM'000
Revenue	127,956	151,401
Cost of sales	(104,799)	(123,952)
Depreciation	(1,170)	(1,974)
Gross profit	21,987	25,475
Other operating income	722	699
	22,709	26,174
Administrative expenses	(6,051)	(4,636)
Depreciation	(1,151)	(1,172)
Profit from operations	15,507	20,366
Finance costs	(481)	(377)
Profit before taxation	15,026	19,989
Income tax expense	(4,822)	(5,615)
Profit after taxation	10,204	14,374
Number of ordinary shares in issue at the end of the year	16,000,000	16,000,000
Weighted average number of ordinary shares in issue	12,734,247	16,000,000
Net earnings per share (sen)	80.13	89.84
Gross dividend per share (sen)	6.25	-

Notes :

- i) No consolidated financial statements were prepared prior to 31 December 2001 as the CBSB Group was only formed on 31 December 2001 when CBSB increased its equity interest in CLSB to 99.99%.
- ii) The net earnings per share has been calculated based on profit after taxation and the weighted average number of shares in issue for both the financial years ended 31 December 2001 and 31 December 2002.
- iii) All significant inter-company transactions have been eliminated on consolidation.
- iv) There were no extraordinary or exceptional items in respect of the financial years under review.

6.4 The audited results of CBSB for the five (5) financial years ended 31 December 2002 are presented as follows :-

CBSB	-----Year ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	40,829	73,029	91,405	127,935	151,336
Cost of sales	(34,182)	(61,138)	(79,475)	(104,799)	(123,952)
Depreciation	(660)	(709)	(698)	(1,170)	(1,974)
Gross profit	5,987	11,182	11,232	21,966	25,410
Other operating income	771	516	758	722	699
	6,758	11,698	11,990	22,688	26,109
Administrative expenses	(3,407)	(4,329)	(4,353)	(6,044)	(4,621)
Depreciation	(697)	(622)	(829)	(1,141)	(1,161)
Profit from operations	2,654	6,747	6,808	15,503	20,327
Finance costs	(1,432)	(811)	(642)	(481)	(377)
Profit before taxation	1,222	5,936	6,166	15,022	19,950
Income tax expense	(468)	558	(1,812)	(4,817)	(5,598)
Profit after taxation	754	6,494	4,354	10,205	14,352
Number of ordinary shares in issue at the end of the year	8,000,000	8,000,000	8,000,000	16,000,000	16,000,000
Weighted average number of ordinary shares in issue	7,232,877	8,000,000	8,000,000	12,734,247	16,000,000
Net earnings per share (sen)	10.42	81.18	54.43	80.14	89.70
Gross dividend per share (sen)	-	-	-	6.25	-

Commentary :

Our commentaries are identical to those of the CBHB Group since CLSB's results were insignificant to the CBHB Group's results in respect of the financial years under review.

Notes :

- i) The net earnings per share has been calculated based on profit after taxation and the weighted average number of ordinary shares in issue for each financial year under review.
- ii) The income statement for the financial year ended 31 December 1998 was arrived at after making necessary adjustments for restatements for prior years adjustments to the financial statement.
- iii) The effective tax rates for the financial years ended 31 December 1998, 2000, 2001 and 2002 were higher than the statutory tax rates mainly due to different treatment of certain expense items which were not allowable for deduction in accordance to tax legislation. For the financial year ended 31 December 1999, no tax was charged on the profits as it was a tax waiver year. The tax income was due to an adjustment for over provision of tax in prior years.
- iv) There were no extraordinary or exceptional items in respect of the financial years under review.

6.5 The audited results of CLSB for the five (5) financial years ended 31 December 2002 are presented as follows :-

CLSB	<-----Year ended 31 December----->				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	21	65
Cost of sales	-	-	-	-	-
Gross profit	-	-	-	21	65
Other operating income	-	-	-	-	-
	-	-	-	21	65
Administrative expenses	(1)	(1)	(1)	(7)	(15)
Depreciation	-	-	-	(10)	(11)
(Loss) / Profit from operations	(1)	(1)	(1)	4	39
Finance costs	-	-	-	-	-
(Loss) / Profit before taxation	(1)	(1)	(1)	4	39
Income tax expense	-	-	-	(5)	(17)
(Loss) / Profit after taxation	(1)	(1)	(1)	(1)	22
Number of ordinary shares in issue at the end of the year	2	2	2	2,000,000	2,000,000
Weight average number of ordinary shares in issue	2	2	2	5,481	2,000,000
Net (loss) / earnings per share (sen)	(51,750.00)	(51,600.00)	(55,500.00)	(15.07)	1.13
Gross dividend per share (sen)	-	-	-	-	-

Commentaries :

- i) CLSB did not operate for the three financial years ended 31 December 2000. The absence of revenue coupled with administrative expenses contributed to the loss before taxation in the respective years.*
- ii) In the financial year ended 31 December 2001, CLSB recorded rental revenue of RM21,000, thereby increasing profit before taxation by 476.04% to RM4,174.*
- iii) For the financial year ended 31 December 2002, both revenue and profit before taxation increased by 208.57% and 839.84% respectively due to additional source of rental income received.*

Notes :

- i) The administrative expenses for the three financial years ended 31 December 2000 represent pre-operating expenditure.*
- ii) The figures for the financial years ended 31 December 1998 to 2000 have been restated to conform with the Malaysian Accounting Standards Board, MASB 1 "Presentation of Financial Statements", which requires preliminary and pre-operating expenses to be expensed off in the year in which they were incurred.*
- iii) The net (loss) / earnings per share has been calculated based on (loss) / profit after taxation and the weighted average number of ordinary shares in issue for each financial year under review. Net loss per share are not identical in the first three financial years ended 31 December 2000 due to rounding of loss after taxation in the respective years.*
- iv) No provision for taxation has been made in the three financial years ended 31 December 2000 as there was no chargeable income. The effective tax rates for the financial year ended 31 December 2001 and 31 December 2002 were higher than the statutory tax rate mainly due to different treatment of certain expense items which were not allowable for deduction in accordance to tax legislation.*
- v) There were no extraordinary or exceptional items in respect of all the financial years under review.*

7. SUMMARISED BALANCE SHEET

7.1 The summarised audited balance sheet of CBHB as at 31 December 2002 is as follows :-

<u>CBHB</u>	RM'000
Intangibles	1,753
Current assets	10
Current liabilities	(1,839)
Net current liabilities	(1,829)
	<u>(76)</u>
Share capital	10
Accumulated losses	(86)
Shareholders' equity	<u>(76)</u>
Net tangible assets per share (RM)	(182.93)
Average return on shareholders' equity (%)	-
Total borrowings (RM)	-

Notes :

- i) No financial statements were prepared prior to 31 December 2002 except for the interim financial statements for the period ended 30 September 2002.
- ii) Intangibles represented corporate expenses incurred in relation to the Restructuring Scheme.

7.2 The summarised consolidated audited balance sheets of CBSB Group as at 31 December 2001 and 31 December 2002 are as follows :-

<u>CBSB GROUP</u>		
	2001 RM'000	2002 RM'000
Property, plant and equipment	22,980	21,477
Goodwill on consolidation	13	12
Other investment	270	270
	<u>23,263</u>	<u>21,759</u>
Current assets	55,833	67,861
Current liabilities	(37,367)	(34,717)
Net current assets	18,466	33,144
Hire purchase creditors	(1,827)	(861)
Deferred taxation	(1,601)	(1,367)
Minority interest	-	-
	<u>38,301</u>	<u>52,675</u>
Share capital	16,000	16,000
Retained earnings	19,065	33,439
Revaluation reserve	3,236	3,236
Shareholders' equity	<u>38,301</u>	<u>52,675</u>
Net tangible assets per share (RM)	2.39	3.29
Average return on shareholders' equity (%)	26.64	31.60
Total borrowings (RM)	4,343,092	2,770,064

Notes :

- i) No consolidated financial statements were prepared prior to 31 December 2001 as the CBSB Group was only formed on 31 December 2001 when CBSB increased its equity interest in CLSB to 99.99%.
- ii) Minority interest consists of share capital and the proportion of reserve attributable to minority shareholder of CLSB. For both the financial year ended 31 December 2001 and 31 December 2002, this amounted to only RM1-00, representing approximately 0.01% of the equity interest in CLSB not held by CBSB.

7.3 The summarised audited balance sheets of CBSB for the six (6) financial years ended 31 December 2002 are as follows :-

CBSB	-----As at 31 December-----					
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Property, plant and equipment	9,117	7,800	9,502	14,608	21,042	19,536
Investment in subsidiary company	-	-	-	-	2,000	2,000
Interest in associated company	-	-	-	-	-	-
Other investment	300	270	270	270	270	270
	<u>9,417</u>	<u>8,070</u>	<u>9,772</u>	<u>14,878</u>	<u>23,312</u>	<u>21,806</u>
Current assets	41,720	38,073	55,727	50,099	55,765	67,743
Current liabilities	(33,853)	(28,377)	(41,748)	(36,738)	(37,348)	(34,668)
Net current assets	7,867	9,696	13,979	13,361	18,417	33,075
Hire purchase creditors	(753)	(332)	(638)	(1,480)	(1,827)	(861)
Term loan	(2,273)	(2,422)	(1,607)	(899)	-	-
Deferred taxation	-	-	-	-	(1,601)	(1,367)
	<u>14,258</u>	<u>15,012</u>	<u>21,506</u>	<u>25,860</u>	<u>38,301</u>	<u>52,653</u>
Share capital	4,000	8,000	8,000	8,000	16,000	16,000
Retained earnings	10,258	7,012	13,506	17,860	19,065	33,417
Revaluation reserve	-	-	-	-	3,236	3,236
Shareholders' equity	<u>14,258</u>	<u>15,012</u>	<u>21,506</u>	<u>25,860</u>	<u>38,301</u>	<u>52,653</u>
Net tangible assets per share (RM)	3.56	1.88	2.69	3.23	2.39	3.29
Average return on shareholders' equity (%)	4.92	5.15	35.56	18.38	31.81	31.56
Total borrowings (RM)	13,013,071	10,851,865	5,218,124	5,920,729	4,343,092	2,770,064

Note :

CBSB has an interest of RM1-00 in CLSB as at 31 December 2000, representing 50% of CLSB's issued and paid-up capital as at 31 December 2000.

7.4 The summarised audited balance sheets of CLSB for the six (6) financial years ended 31 December 2002 are as follows :-

CLSB	-----As at 31 December----->					
	1997	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	-	1,400	1,938	1,941
Current assets	-	-	-	-	68	117
Current liabilities	(9)	(10)	(11)	(1,412)	(19)	(49)
Net current (liabilities) / assets	(9)	(10)	(11)	(1,412)	49	68
	(9)	(10)	(11)	(12)	1,987	2,009
Share capital	-	-	-	-	2,000	2,000
(Accumulated losses) / Retained earnings	(9)	(10)	(11)	(12)	(13)	9
Shareholders' equity	(9)	(10)	(11)	(12)	1,987	2,009
Net tangible assets per share (RM)	-	-	-	-	0.99	1.00
Average return on shareholders' equity (%)	-	-	-	-	(0.08)	1.13
Total borrowings (RM)	-	-	-	-	-	-

Note :

- i) The issued and paid-up capital of CLSB for the four financial years ended 31 December 2000 was RM2-00.

8. DETAILED PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

The following proforma statements of assets and liabilities of the CBHB Group have been prepared based on the audited financial statements of CBHB and the audited consolidated financial statements of CBSB as at 31 December 2002 and should be read in conjunction with the notes thereon.

CREST BUILDER HOLDINGS BERHAD PROFORMA STATEMENTS OF ASSETS AND LIABILITIES SCENARIO 1 - ASSUME REDEMPTION OF RCULS

	Note	CBHB 31/12/2002	Proforma (I)	Proforma (II)	Proforma (III)	Proforma (IV)
		RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	9.3	-	21,477	21,477	21,477	21,477
Other investment	9.4	-	270	270	270	270
Intangibles	9.5	1,753	1,753	1,753	1,753	1,753
Goodwill	9.6	-	42,576	71,076	78,076	78,076
		<u>1,753</u>	<u>66,076</u>	<u>94,576</u>	<u>101,576</u>	<u>101,576</u>
CURRENT ASSETS						
Trade receivables	9.7	-	17,632	17,632	17,632	17,632
Amounts due from contract customers	9.8	-	23,630	23,630	23,630	23,630
Other receivables, deposits and prepayments		-	2,465	2,465	2,465	2,465
Fixed deposits	9.9	-	13,332	13,332	13,332	13,332
Cash and bank balances		10	10,812	10,812	7,852	21,852
		<u>10</u>	<u>67,871</u>	<u>67,871</u>	<u>64,911</u>	<u>78,911</u>
CURRENT LIABILITIES						
Trade payables		-	26,769	26,769	26,769	26,769
Amounts due to contract customers	9.8	-	3,064	3,064	3,064	3,064
Other payables and accruals		1,839	2,817	2,817	2,817	2,817
Hire purchase creditors	9.10	-	1,909	1,909	1,909	1,909
Provision for taxation		-	1,996	1,996	1,996	1,996
		<u>1,839</u>	<u>36,555</u>	<u>36,555</u>	<u>36,555</u>	<u>36,555</u>
NET CURRENT (LIABILITIES) / ASSETS						
		<u>(1,829)</u>	<u>31,316</u>	<u>31,316</u>	<u>28,356</u>	<u>42,356</u>
		<u>(76)</u>	<u>97,392</u>	<u>125,892</u>	<u>129,932</u>	<u>143,932</u>
CAPITAL AND RESERVE						
Share capital	9.11	10	95,250	95,250	95,250	137,750
Reserve		(86)	(86)	(86)	(86)	(86)
Capital reserve	9.12	-	-	-	4,040	4,040
SHAREHOLDERS' EQUITY		<u>(76)</u>	<u>95,164</u>	<u>95,164</u>	<u>99,204</u>	<u>141,704</u>
LONG TERM AND DEFERRED LIABILITIES						
ICULS	9.13	-	-	18,500	18,500	-
RCULS	9.13	-	-	10,000	10,000	-
Hire purchase creditors	9.10	-	861	861	861	861
Deferred taxation	9.14	-	1,367	1,367	1,367	1,367
		-	<u>2,228</u>	<u>30,728</u>	<u>30,728</u>	<u>2,228</u>
		<u>(76)</u>	<u>97,392</u>	<u>125,892</u>	<u>129,932</u>	<u>143,932</u>
NET TANGIBLE ASSETS ("NTA")						
		<u>(1,829)</u>	<u>50,835</u>	<u>22,335</u>	<u>19,375</u>	<u>61,875</u>
NTA PER SHARE (RM)						
		<u>(182.90)</u>	<u>0.53</u>	<u>0.23</u>	<u>0.20</u>	<u>0.45</u>

CREST BUILDER HOLDINGS BERHAD
PROFORMA STATEMENTS OF ASSETS AND LIABILITIES
SCENARIO 2 - ASSUME CONVERSION OF RCULS

	Note	CBHB 31/12/2002	Proforma (I)	Proforma (II)	Proforma (III)	Proforma (IV)
		RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	9.3	-	21,477	21,477	21,477	21,477
Other investment	9.4	-	270	270	270	270
Intangibles	9.5	1,753	1,753	1,753	1,753	1,753
Goodwill	9.6	-	42,576	71,076	78,076	78,076
		<u>1,753</u>	<u>66,076</u>	<u>94,576</u>	<u>101,576</u>	<u>101,576</u>
CURRENT ASSETS						
Trade receivables	9.7	-	17,632	17,632	17,632	17,632
Amounts due from contract customers	9.8	-	23,630	23,630	23,630	23,630
Other receivables, deposits and prepayments		-	2,465	2,465	2,465	2,465
Fixed deposits	9.9	-	13,332	13,332	13,332	13,332
Cash and bank balances		10	10,812	10,812	7,852	31,852
		<u>10</u>	<u>67,871</u>	<u>67,871</u>	<u>64,911</u>	<u>88,911</u>
CURRENT LIABILITIES						
Trade payables		-	26,769	26,769	26,769	26,769
Amounts due to contract customers	9.8	-	3,064	3,064	3,064	3,064
Other payables and accruals		1,839	2,817	2,817	2,817	2,817
Hire purchase creditors	9.10	-	1,909	1,909	1,909	1,909
Provision for taxation		-	1,996	1,996	1,996	1,996
		<u>1,839</u>	<u>36,555</u>	<u>36,555</u>	<u>36,555</u>	<u>36,555</u>
NET CURRENT (LIABILITIES) / ASSETS						
		<u>(1,829)</u>	<u>31,316</u>	<u>31,316</u>	<u>28,356</u>	<u>52,356</u>
		<u>(76)</u>	<u>97,392</u>	<u>125,892</u>	<u>129,932</u>	<u>153,932</u>
CAPITAL AND RESERVE						
Share capital	9.11	10	95,250	95,250	95,250	147,750
Reserve		(86)	(86)	(86)	(86)	(86)
Capital reserve	9.12	-	-	-	4,040	4,040
SHAREHOLDERS' EQUITY		<u>(76)</u>	<u>95,164</u>	<u>95,164</u>	<u>99,204</u>	<u>151,704</u>
LONG TERM AND DEFERRED LIABILITIES						
ICULS	9.13	-	-	18,500	18,500	-
RCULS	9.13	-	-	10,000	10,000	-
Hire purchase creditors	9.10	-	861	861	861	861
Deferred taxation	9.14	-	1,367	1,367	1,367	1,367
		<u>-</u>	<u>2,228</u>	<u>30,728</u>	<u>30,728</u>	<u>2,228</u>
		<u>(76)</u>	<u>97,392</u>	<u>125,892</u>	<u>129,932</u>	<u>153,932</u>
NET TANGIBLE ASSETS ("NTA")						
		<u>(1,829)</u>	<u>50,835</u>	<u>22,335</u>	<u>19,375</u>	<u>71,875</u>
NTA PER SHARE (RM)						
		<u>(182.90)</u>	<u>0.53</u>	<u>0.23</u>	<u>0.20</u>	<u>0.49</u>

9. NOTES TO THE DETAILED PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

9.1 Basis of preparation of proforma statements of assets and liabilities

- i) The proforma statements of assets and liabilities of CBHB are extracted from the audited consolidated financial statements of CBHB, CBSB and CLSB as at 31 December 2002.
- ii) The proforma statements of assets and liabilities of CBHB are arrived at using the acquisition method of accounting for CBSB and its subsidiary. Under the acquisition method of accounting, the results of the subsidiaries are included in the balance sheet from the date of acquisition. Inter-company balances have been eliminated in arriving at the proforma statements of assets and liabilities.
- iii) The restructuring expenses of RM3,160,000 shall be written off against the capital reserve arising from the proceeds from the Warrant Issue.
- iv) Out of the RM7,200,000 gross proceeds from the Warrant Issue, RM7,000,000 will be utilised to repay MGR, MGR Creditors and / or MGR Creditors' Agent.
- v) The NTA per share is calculated by dividing the NTA by the ordinary shares of CBHB in issue at the relevant stages. In arriving at the NTA, both intangibles and goodwill has been deducted from the net assets.
- vi) The proforma statements of assets and liabilities have been prepared based on the accounting principles and bases consistent with those normally adopted in the preparation of audited financial statements of CBHB and its subsidiaries.
- vii) The proforma statements of assets and liabilities incorporate on a proforma basis the following transactions as though they were effected as at 31 December 2002.

Proforma I

Proforma I incorporates the effects of the following events :-

- a) Acquisition by CBHB of MGR involving the issuance of 2,512,500 new ordinary shares of RM1-00 each in CBHB to the existing shareholders of MGR on the basis of one (1) new CBHB share for every twenty (20) ordinary shares of RM1-00 each in MGR held.
- b) Acquisition by CBHB of the entire issued and paid-up share capital of CBSB from the vendors of CBSB, namely Yong Soon Chow, Koh Hua Lan, Pertiwi Positif Sdn Bhd, Takrif Jaya Sdn Bhd and Capai Hasil Sdn Bhd (collectively known as "CBSB vendors") for a total consideration of RM92,727,000 to be satisfied by the issuance of 92,727,000 new CBHB shares at an issue price of RM1-00 per CBHB share.

Proforma II

Proforma II incorporates the effects of Proforma I and the issue of RM18,500,000 nominal value of ICULS at 100% of the nominal value of RM1-00 each and RM10,000,000 nominal value of RCULS at 100% of the nominal value of RM1-00 each by CBHB to MGR, MGR creditors and /or MGR Creditors' Agent.

Proforma III

Proforma III incorporates the effects of Proforma II and the following events :-

- a) Rights issue of 24,000,000 warrants by CBHB to the Shareholders of CBHB upon the completion of the Share Exchange and Acquisition of CBSB on the basis of approximately 1.008 warrants for every four (4) CBHB shares held at an issue price of RM0-30 per warrant;
- b) Cash payment of RM7,000,000 to MGR, MGR Creditors and / or agent of MGR Creditors; and
- c) Cash payment of RM3,160,000 for restructuring expenses.

Proforma IV (Scenerio 1-Assume Redemption of RCULS)

Proforma IV incorporates the effects of Proforma III and the following events :-

- a) Conversion of the RM18,500,000 nominal value of ICULS at 100% of the nominal value of RM1-00 each to 18,500,000 new CBHB shares of RM1-00 each at par;
- b) Redemption of the RM10,000,000 nominal value of RCULS at 100% of the nominal value of RM1-00 each; and
- c) Exercise of the warrants at an exercise price of RM1-00 each.

Proforma IV (Scenerio 2-Assume Conversion of RCULS)

Proforma IV incorporates the effects of Proforma III and the following events :-

- a) Conversion of the RM18,500,000 nominal value of ICULS at 100% of the nominal value of RM1-00 each to 18,500,000 new CBHB shares of RM1-00 each at par;
- b) Conversion of the RM10,000,000 nominal value of RCULS at 100% of the nominal value of RM1-00 each to 10,000,000 new CBHB shares of RM1-00 each at par; and
- c) Exercise of the warrants at an exercise price of RM1-00 each.

9.2 Significant Accounting Policies

(i) Basis of accounting

The detailed proforma statements of assets and liabilities are prepared under the historical cost convention modified to include the revaluation of certain property, plant and equipment.

(ii) Basis of Consolidation

The detailed proforma statements of assets and liabilities include the financial statements of CBHB, CBSB and its subsidiary, CLSB made up to the end of the financial year.

Under the acquisition method of accounting, the results of the subsidiary company acquired or disposed during the financial year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values are reflected in the proforma statements of assets and liabilities. 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. Goodwill on consolidation is amortised over a period of 25 years.

Inter-company transactions, balances and unrealised gains and losses on transactions from group companies are eliminated on consolidation and the proforma statements of assets and liabilities reflect external transactions only.

(iii) Property, plant and equipment

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

Freehold land is not amortised as it has an infinite life.

Leasehold land and buildings are amortised over the lease period ranging from 59 to 90 years.

Other property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. The principal annual rates used for this purpose are :-

Buildings	2 %
Equipment, furniture and fittings	10 %
Light equipment	12 - 20 %
Plant and machinery	12 - 20 %
Motor vehicles	20 %

Land and buildings are revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market values.

Surplus arising from such valuations will be credited to shareholders' equity as a revaluation surplus and any deficit will be charged against such surplus to the extent that the decrease offsets any increase. In all other cases, the deficit will be charged to the income statement.

An impairment loss is recognised whenever the carrying amount of property, plant and equipment exceeds its estimated recoverable amount and is charged to income statements immediately. Any subsequent increase in recoverable amount of property, plant and equipment would be written back less the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

In determining the recoverable amount of property, plant and equipment, expected cash flows have not been discounted to their present value.

Gains and losses on disposals are determined by comparing the sales proceeds with carrying amounts and included in the profits / (losses) from operations.

(iv) Intangibles

The corporate expenses that have been capitalised will be written off against future share premium account upon successful listing of CBHB on the KLSE.

In the event of failure of the listing on the KLSE, these expenses will be written off to the income statement.

(v) Interest in subsidiary company

Subsidiary company is a company in which the investor company has a long-term equity interest of more than 50% and be able to exercise control over the financial and operating policies so as to attain benefit from their activities.

Interest in subsidiary company is stated at cost unless in the opinion of the Directors there has been a permanent decline in value in which case a provision is made for the diminution in value.

(vi) Other investment

Long term investment is stated at cost and provision for diminution in value of investment is only made when the Directors consider that there has been a permanent impairment in its value.

(vii) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts.

(viii) Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and cost are recognised by reference to the stage of completion of the contract. The stage of completion is measured by proportion that contract work performed to date bears to the estimated total contract costs. Variations in contract works, claims and incentive payments are included to the extent that they have been agreed with the customers. Construction cost includes direct material, labour, subcontract cost and attributable overhead. Contract costs are recognised as expense in the period in which they are incurred. Surplus of costs over progress billings is classified as amounts due from contract customers whereas surplus of progress billings over costs is classified as amounts due to contract customers.

(ix) Borrowings costs

Interest costs on borrowings to finance the purchase of property, plant and equipment are expensed off to income statements.

(x) Property, plant and equipment acquired under hire purchase

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statement to give a constant periodic rate of interest on the remaining hire purchase liabilities.

(xi) Deferred taxation

Deferred taxation is provided for all material timing differences using the liability method except where it can be demonstrated with reasonable probability that the timing differences will continue in the foreseeable future. Where such timing differences give rise to net deferred tax benefits, these benefits are not recognised.

(xii) Dividends

Dividends on ordinary shares are accounted for in the shareholders' equity as an appropriation of retained earnings.

(xiii) Revenue recognition

Profit on construction contracts is recognised on the percentage of completion method where the outcome of the contracts can be reliably estimated. Anticipated losses, if any, are recognised immediately in the income statement.

Rental income and interest income are recognised in the income statement as they accrue unless collection is doubtful.

(xiv) Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand and short-term highly liquid assets that are readily convertible to cash with insignificant risk of changes in value less bank borrowings that are not subject to fixed term of repayment.

9.3 PROPERTY, PLANT AND EQUIPMENT – PROFORMA GROUP

Net book value	At	Additions	Transfer	Write off/ Disposals	Current depreciation	At
	1/1/2002					31/12/2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At Valuation						
Plant and machinery	9,318	-	-	-	1,864	7,454
At Cost						
Freehold land	4,297	-	347	-	-	4,644
Buildings	3,938	-	173	-	83	4,028
Building in progress	507	13	(520)	-	-	-
Leasehold land and buildings	983	-	-	-	16	967
Equipment, furniture and fittings	879	149	-	4	146	878
Light equipment	282	51	-	-	75	258
Plant and machinery	172	1,198	-	152	106	1,112
Motor vehicles	2,604	394	-	7	855	2,136
	<u>22,980</u>	<u>1,805</u>	<u>-</u>	<u>163</u>	<u>3,145</u>	<u>21,477</u>
31/12/2002						
				Cost	Accumulated depreciation	Net book value
				RM'000	RM'000	RM'000
At Valuation						
Plant and machinery				13,171	5,717	7,454
At Cost						
Freehold land				4,644	-	4,644
Buildings				4,294	266	4,028
Leasehold land and buildings				1,069	102	967
Equipment, furniture and fittings				1,720	842	878
Light equipment				1,517	1,259	258
Plant and machinery				1,250	137	1,113
Motor vehicles				5,975	3,840	2,135
				<u>33,640</u>	<u>12,163</u>	<u>21,477</u>

The net book value of assets acquired under hire purchase arrangements of which installments are still outstanding at the balance sheet date are :-

	RM'000
Plant and machinery	3,843
Motor vehicles	1,937
	<u>5,780</u>

Leasehold land is held on a long lease with an unexpired period of more than fifty years.

	RM'000
Net book value of assets pledged as security for banking facilities :-	
Freehold land and buildings	4,207
Leasehold land and buildings	<u>967</u>
	<u>5,174</u>

CBHB Group's properties, plant and machinery were revalued on 31 December 2001 based on valuation carried out by a firm of independent professional valuers, Jones Lang Wootton, using the open market value basis.

Net book value of revalued plant and machinery, had these assets been carried at cost less accumulated depreciation :-

	RM'000
Plant and machinery	<u>2,957</u>

CBHB Group has not incorporated the revaluation surplus and deficit arising from revaluation of properties which amounts to RM1,620,782 and RM1,325,950 respectively. Accordingly, deferred tax liability and asset arising from the revaluation surplus and deficit amounting to RM453,819 and RM371,266 respectively, were also not incorporated.

If the impairment loss had been recognised, the impact on the income statement would be RM1,325,950.

The directors are of the opinion that the shortfall between the net book value of certain properties and its market value is not permanent in nature.

9.4 OTHER INVESTMENT - PROFORMA GROUP

	RM'000
Transferable club membership, at cost	<u>270</u>

9.5 INTANGIBLES -- PROFORMA GROUP

	RM'000
Corporate expenses	<u>1,753</u>

These corporate expenses represent expenses incurred in relation to the proposed listing on the KLSE.

9.6 GOODWILL – PROFORMA GROUP

	RM'000
Arising from Acquisition of CBSB - Proforma I	42,576
Arising from issuance of ICULS/RCULS - Proforma II	28,500
	<u>71,076</u>
Arising from cash payment to MGR, MGR Creditors and/or the agent of MGR Creditors - Proforma III	7,000
As shown in Proforma III and IV	<u>78,076</u>

9.7 TRADE RECEIVABLES – PROFORMA GROUP

	RM'000
Trade receivables	9,297
Less : Provision for doubtful debts	<u>(1,997)</u>
	7,300
Retention sums	<u>10,332</u>
	<u>17,632</u>

Included in the account is an amount of RM2,294,375 due by a company in which a Director has substantial shareholding interest.

9.8 AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS – PROFORMA GROUP

	RM'000
Construction cost incurred	108,014
Profit attributable to work performed to date	<u>23,688</u>
	131,702
Less : Progress billings received and receivable	<u>(108,072)</u>
Amounts due from contract customers	<u>23,630</u>
Included in progress billings received and receivable are advance payments received amounting to RM2,054,452.	
	RM'000
Construction cost incurred	25,364
Profit attributable to work performed to date	<u>6,960</u>
	32,324
Less : Progress billings received and receivable	<u>(35,388)</u>
Amounts due to contract customers	<u>(3,064)</u>
Included in progress billings received and receivable are advances payment received amounting to RM3,593,769.	

9.9 FIXED DEPOSITS WITH LICENSED BANKS – PROFORMA GROUP

Included in fixed deposits is an amount of RM6,503,609 pledged to banks as security deposits for its contracts.

9.10 HIRE PURCHASE CREDITORS – PROFORMA GROUP

The amount owing to hire purchase creditors are repayable as follows :-

	RM'000
Minimum hire purchase payments :-	
- not later than one year	2,189
- later than one year and not later than five years	987
- later than five years	-
	<u>3,176</u>
Future finance charges on hire purchase	(406)
Present value of hire purchase payments	<u>2,770</u>
Present value of hire purchase payments :-	
- not later than one year	1,909
- later than one year and not later than five years	861
- later than five years	-
	<u>2,770</u>
Less: Amount repayable within one year	(1,909)
Amount repayable after one year	<u>861</u>

9.11 SHARE CAPITAL – PROFORMA GROUP

	RM'000
<u>Scenario I (Assume Redemption of RCULS)</u>	
Authorised :-	
Ordinary shares of RM1-00 each	<u>500,000</u>
Issue and fully paid-up:-	
Paid-up share capital upon incorporation	10
To be issued pursuant to Share Exchange	2,513
To be issued pursuant to Acquisition of CBSB	<u>92,727</u>
As shown in Proforma I, II and III	95,250
To be issued pursuant to full conversion of ICULS	18,500
To be issued pursuant to full exercise of warrants	<u>24,000</u>
As shown in Proforma IV	<u>137,750</u>

<u>Scenario 2 (Assume Conversion of RCULS)</u>		RM'000
Authorised :-		
Ordinary shares of RM1-00 each		<u>500,000</u>
Issued and fully paid-up :-		
Paid-up share capital upon incorporation		10
To be issued pursuant to Share Exchange		2,513
To be issued pursuant to Acquisition of CBSB		<u>92,727</u>
As shown in Proforma I, II and III		95,250
To be issued pursuant to full conversion of ICULS		18,500
To be issued pursuant to full conversion of RCULS		10,000
To be issued pursuant to full exercise of warrants		<u>24,000</u>
As shown in Proforma IV		<u><u>147,750</u></u>

9.12 CAPITAL RESERVE – PROFORMA GROUP

Capital reserve arises from the issuance of 24,000,000 warrants. The amount shown is net of restructuring expenses of RM3,160,000.

9.13 ICULS / RCULS - PROFORMA GROUP

	RM'000
Arising from the issuance of ICULS / RCULS - Proforma II and III	28,500
Arising from the conversion of ICULS and the redemption / conversion of RCULS - Proforma IV	<u>(28,500)</u>
As shown in Proforma IV	<u><u>-</u></u>

9.14 DEFERRED TAXATION – PROFORMA GROUP

	RM'000
Balance brought forward	1,601
Transfer from income statement	(234)
Revaluation surplus	<u>-</u>
Balance carried forward	<u><u>1,367</u></u>
Representing the tax effect of :-	
Timing differences between tax capital allowances and book depreciation of property, plant and equipment	106
Revaluation surplus of plant and machinery	<u>1,261</u>
	<u><u>1,367</u></u>

**10. CASH FLOW STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2002
TO 31 DECEMBER 2002**

	CBHB RM'000	CBSB RM'000	CLSB RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation	(86)	19,950	39
Adjustments for :-			
Depreciation	-	3,135	11
Gain on disposal of property, plant and equipment	-	(189)	-
Interest expenses	-	377	-
Interest income	-	(373)	-
Property, plant and equipment written off	-	156	-
Operating (loss) / profit before working capital changes	(86)	23,056	50
Decrease in trade receivables	-	16,778	-
Increase in amounts due from contract customers	-	(21,511)	-
Increase in other receivables, deposits and prepayments	-	(2,116)	(1)
Increase in trade payables	-	5,554	-
Decrease in amounts due to contract customers	-	(3,909)	-
Increase in other payables and accruals	1,839	260	29
Decrease in amount due to Directors	-	(50)	(10)
	1,839	(4,994)	18
Cash generated from operations	1,753	18,062	68
Dividend paid	-	(1,000)	-
Corporate expenses	(1,753)	-	-
Income tax paid	-	(8,760)	(5)
Net cash generated from operating activities	-	8,302	63
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	373	-
Proceeds from disposal of property, plant and equipment	-	196	-
Purchase of property, plant and equipment	-	(584)	(13)
Net cash used in investing activities	-	(15)	(13)
	-	8,287	50
CASH FLOWS FROM FINANCING ACTIVITIES			
Fixed deposits with licensed banks	-	(520)	-
Interest paid	-	(377)	-
Proceeds from issuance of subscribers' shares	10	-	-
Repayment of term loan	-	(288)	-
Repayment to hire purchase creditors	-	(2,089)	-
Net cash generated from / (used in) financing activities	10	(3,274)	-
Net increase in cash and cash equivalents	10	5,013	50
Cash and cash equivalents brought forward	-	12,512	56
Cash and cash equivalents carried forward	10	17,525	106

Cash and cash equivalents comprise :-	CBHB RM'000	CBSB RM'000	CLSB RM'000
Cash and bank balances	10	10,697	106
Fixed deposits with licensed banks	-	<u>13,332</u>	-
	10	24,029	106
Less : Fixed deposits pledged (Note 9.9)	-	<u>(6,504)</u>	-
	<u>10</u>	<u>17,525</u>	<u>106</u>

11. SUBSEQUENT EVENTS

There are no material subsequent events other than the on-going Restructuring Scheme as disclosed in section 1 of this report.

12. AUDITED FINANCIAL STATEMENTS

No audited financial statements of CBHB, CBSB and CLSB have been prepared in respect of any period subsequent to 31 December 2002.

Yours faithfully,

GEP ASSOCIATES

.....
GEP ASSOCIATES
No: AF 1030
Chartered Accountants

ESTHER TAN CHOON HWA

.....
ESTHER TAN CHOON HWA
No: 1023 / 03 / 04 (J)
Partner

14. **DIRECTORS' REPORT**



CREST BUILDER HOLDINGS BERHAD

573382-P
28, Jalan SS 24/13, Taman Megah, 47301 P. Jaya, Selangor Darul Ensan, Malaysia
Tel : 03-78033185 Fax : 03-78034353
E-mail : crestbsb@tm.net.my

Registered Address : No.14-2, Jalan 4A/27A, Section 2, Wangsa Maju, 53300 Kuala Lumpur

Date 11 April 2003

The Shareholders of Crest Builder Holdings Berhad

Dear Sir/Madam,

On behalf of the Directors of Crest Builder Holdings Berhad ("CBHB"), I wish to report that after making due inquiry into CBHB and its subsidiaries [excluding MGR Corporation Berhad (Special Administrators Appointed) and its subsidiaries] ("Group") during the period from 31 December 2002 (being the date to which the last audited financial statements of the Group have been made up) to the date hereof (being a date not earlier than fourteen (14) days before the issue of this Prospectus) that:-

- (i) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or value of the assets of the Group;
- (iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in Sections 2.8.3 and 12.4.5 of this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group; and
- (v) since the last audited financial statements of the Group, save as disclosed in this Prospectus, there have been no adverse changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully

For and on behalf of the Board of Directors of
Crest Builder Holdings Berhad

Yong Soon Chow
Managing Director

15. LETTER FROM RAM
(Prepared for the inclusion in this Prospectus)



RATING AGENCY MALAYSIA BERHAD
(Co. No. 208095-U)

Our Ref : 0503/RAM/03

14 April 2003

The Board of Directors
Crest Builder Holdings Berhad
14-2, Jalan 4A/27A
Section 2, Wangsa Maju
53300 Kuala Lumpur

Dear Sirs

**RATING FOR THE ISSUE OF RM10 MILLION REDEEMABLE CONVERTIBLE
UNSECURED LOAN STOCKS (2003/2008) ("RCULS")**

We refer to the above matter.

After consideration of all the key factors, Rating Agency Malaysia Berhad has assigned a long-term rating of BBB₁ to Crest Builder Holdings Berhad's RCULS. The rating assigned indicates moderate safety for timely payment of interest and principal.

The assigned rating of BBB₁ is valid until changed.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Suresh Menon', is written over a light blue horizontal line.

Suresh Menon
Executive Director