AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CIH FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003 TOGETHER WITH THE AUDITORS' REPORT THEREON

C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

		GROUP		COMPANY	
		2003	2002	2003	2002
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	4	27,047	25,389	983	1,894
Cost of sales		(20,670)	(19,235)	-	-
Gross profit		6,377	6,154	983	1,894
Other operating income		1,819	2,102	441	713
Distribution costs		(140)	(393)	-	-
Administration expenses		(8,137)	(8,686)	(2,752)	(3,345)
Other operating expenses		(166,599)	(3,065)	(10,534)	(13,600)
Loss from operations	5	(166,680)	(3,888)	(11,862)	(14,338)
Finance costs	6	(23,527)	(30,038)	(325)	(431)
Share of results of associate		20,936	25,645	-	-
Loss before taxation		(169,271)	(8,281)	(12,187)	(14,769)
Taxation	7	(6,694)	(9,231)	867	(274)
Loss after taxation		(175,965)	(17,512)	(11,320)	(15,043)
Minority interests		221	367	-	-
Net loss for the year		(175,744)	(17,145)	(11,320)	(15,043)
Basic loss per share (sen)	8	(306.3)	(29.9)	(19.7)	(26.2)
Net dividend per share (sen)	9	0.50	0.50	0.50	0.50

The accompanying notes form an integral part of the financial statements.

Company No.: 37918-A

C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 30 JUNE 2003

	Note	GROUP 2003 RM'000	GROUP 2002 RM'000	COMPANY 2003 RM'000	COMPANY 2002 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	10	34,516	37,135	216	444
Investments in subsidiaries	11	-	-	96,353	104,949
Investment in associate	12	322,767	474,934	-	-
Other investments		21	21	21	21
Goodwill on consolidation	13	20,464	20,777	-	-
		377,768	532,867	96,590	105,414
CURRENT ASSETS					
Inventories	14	7,594	8,736	-	-
Trade receivables	15	9,366	46,319	-	-
Other receivables	16	29,267	2,973	28,103	223
Amounts due from subsidiaries	17	-	-	148,932	167,172
Tax recoverable		506	174	78	-
Deposits with licensed banks	18	1,918	5,102	1,400	-
Cash and bank balances	19	1,475	903	116	7
		50,126	64,207	178,629	167,402
CURRENT LIABILITIES					
Trade payables	20	6,976	4,284	-	-
Other payables	21	101,396	99,119	2,676	1,929
Amounts due to subsidiaries	17	-	-	39,407	25,470
Bank borrowings	22	236,603	32,475	2,084	2,073
Tax payable		771	2,279	-	606
Dividends payable		15	29	15	29
		345,761	138,186	44,182	30,107
NET CURRENT (LIABILITIES)/ ASSETS		(295,635)	(73,979)	134,447	137,295
		82,133	458,888	231,037	242,709

Company No.: 37918-A

C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 30 JUNE 2003 (CONTD.)

		GROUP		COMPANY	
		2003	2002	2003	2002
	Note	RM'000	RM'000	RM'000	RM'000
FINANCED BY:					
Share capital	24	57,378	57,378	57,378	57,378
Share premium		1,007	1,007	1,007	1,007
Reserves on consolidation		55,458	55,568	-	-
Special reserve	25	10,622	11,520	10,622	10,622
(Accumulated loss)/ Retained profits	26	(47,797)	128,236	161,951	173,560
Shareholders' equity		76,668	253,709	230,958	242,567
Minority interests		1,033	2,873	-	-
		77,701	256,582	230,958	242,567
Retirement benefit obligations		622	557	-	-
Bank borrowings	22	2,386	200,241	79	142
Deferred tax liabilities	27	1,424	1,508	-	-
Non-current liabilities		4,432	202,306	79	142
		82,133	458,888	231,037	242,709

The accompanying notes form an integral part of the financial statements.

C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003

		<---Non-distributable		--->	Distributable	
		Share capital	Share premium	Reserves on consolidation	Special reserve	Retained profits/ (Accumulated loss)	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP							
At 1 July 2001							
- as previously reported		57,378	1,007	56,781	11,520	145,381	272,067
- prior year adjustments	28	-	-	(1,213)	-	287	(926)
- as restated		57,378	1,007	55,568	11,520	145,668	271,141
Loss for the year		-	-	-	-	(17,145)	(17,145)
Dividend for the year ended 30 June 2001	9	-	-	-	-	(287)	(287)
At 30 June 2002		57,378	1,007	55,568	11,520	128,236	253,709
At 1 July 2002							
- as previously reported		57,378	1,007	56,781	11,520	128,236	254,922
- prior year adjustments	28	-	-	(1,213)	-	-	(1,213)
- as restated		57,378	1,007	55,568	11,520	128,236	253,709
Reversal of overstatement in prior years		-	-	-	(898)	-	(898)
Arising from disposal of subsidiaries		-	-	(110)	-	-	(110)
Loss for the year		-	-	-	-	(175,744)	(175,744)
Dividend for the year ended 30 June 2002	9	-	-	-	-	(289)	(289)
At 30 June 2003		57,378	1,007	55,458	10,622	(47,797)	76,668

C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2003 (CONTD.)

	Note	Share capital RM'000	<-----Non-distributable----> Share premium RM'000	Special reserve RM'000	Distributable Retained profits RM'000	Total RM'000
COMPANY						
At 1 July 2001						
- as previously reported		57,378	1,007	10,622	188,603	257,610
- prior year adjustment		-	-	-	287	287
- as restated		57,378	1,007	10,622	188,890	257,897
Loss for the year		-	-	-	(15,043)	(15,043)
Dividend for the year ended 30 June 2001	9	-	-	-	(287)	(287)
At 30 June 2002		57,378	1,007	10,622	173,560	242,567
At 1 July 2002		57,378	1,007	10,622	173,560	242,567
Loss for the year		-	-	-	(11,320)	(11,320)
Dividend for the year ended 30 June 2002	9	-	-	-	(289)	(289)
At 30 June 2003		57,378	1,007	10,622	161,951	230,958

The accompanying notes form an integral part of the financial statements.

Company No.: 37918-A

C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(169,271)	(8,281)	(12,187)	(14,769)
Adjustments for:				
Bad debts written off	50	-	-	-
Depreciation of property, plant and equipment	1,157	1,308	127	197
Loss/(gain) on disposal of property, plant and equipment	635	(273)	12	(32)
Loss on disposal of subsidiaries	3,765	-	1,529	-
Loss arising from a subsequent change in the sale proceeds on the disposal of C.I. Readymix Sdn Bhd, a former subsidiary	545	1,454	-	-
Allowance for doubtful debts	127	-	-	-
Reversal of overstatement of special reserve on the disposal of investments in former subsidiaries in prior years	(898)	-	-	-
Impairment loss on subsidiaries	-	-	4,517	13,600
Write back of allowance for doubtful debts	(228)	(1,923)	-	-
Impairment loss of property, plant and equipment	718	-	-	-
Impairment loss on associate	160,083	-	-	-
Interest expense	23,428	28,420	321	431
Interest income	(224)	(144)	(11)	(415)
Property plant and equipment written off	78	-	72	-
Allowance for inventory obsolescence	320	191	-	-
Inventories written off	101	-	-	-
Allowance for retirement benefits	100	106	-	-
Deferred expenditure written off	51	-	-	-
Unrealised foreign exchange loss	8	-	-	-
Waiver of loan payable to former subsidiaries	-	-	(431)	-
Waiver of interest receivable from former subsidiaries	-	-	4,488	-
Share of results of associate	(20,936)	(25,645)	-	-
Operating loss before working capital changes	(391)	(4,787)	(1,563)	(988)

Company No.: 37918-A

C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (CONTD.)

	Note	GROUP 2003 RM'000	GROUP 2002 RM'000	COMPANY 2003 RM'000	COMPANY 2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating loss before working capital changes b/f		(391)	(4,787)	(1,563)	(988)
Decrease/(increase) in inventories		721	(1,307)	-	-
Decrease/(increase) in receivables		1,703	12,783	(27,880)	1,385
Increase/(decrease) in payables		1,984	8,950	733	(1,373)
Cash generated from/(used in) operations		4,017	15,639	(28,710)	(976)
Interest paid		(11,733)	(28,420)	(321)	(431)
Interest received		224	144	11	415
Retirement benefits paid		(35)	(22)	-	-
Taxation refund/(paid)		76	127	183	(182)
Net cash used in operating activities		(7,451)	(12,532)	(28,837)	(1,174)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of additional shares in subsidiaries		-	-	-	(799)
Purchase of other investments		-	(21)	-	(21)
Disposal of subsidiaries, net of cash and cash equivalents (Note 11(d))		2,990	-	2,550	-
Advances from/(to) subsidiaries		-	-	13,937	(4,082)
Repayments from subsidiaries		-	-	14,183	6,160
Dividend received from associate		4,566	4,566	-	-
Proceeds from transfer of property, plant and equipment to a subsidiary		-	-	-	216
Proceeds from disposal of property, plant and equipment		639	385	34	89
Purchase of property, plant and equipment		(738)	(2,714)	(17)	(117)
Net cash generated from investing activities		7,457	2,216	30,687	1,446

C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)
FOR THE YEAR ENDED 30 JUNE 2003 (CONTD.)

		GROUP		COMPANY	
	Note	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(289)	(287)	(289)	(287)
Proceeds from issue of shares to minority interests		98	-	-	-
Repayment of hire purchase and lease financing		(636)	-	(63)	-
Repayment of short term borrowings		(11,921)	(987)	-	-
Drawdown of hire purchase		314			
Drawdown of short term borrowings		12,202	15,211	11	5
Deposits with licensed banks pledged as security		5,100	(5,000)	-	-
Net cash generated from/ (used in) financing activities		4,868	8,937	(341)	(282)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,874	(1,379)	1,509	(10)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(2,764)	(1,385)	7	17
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	2,110	(2,764)	1,516	7

The accompanying notes form an integral part of the financial statements.

C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies.

The principal activities of the subsidiaries are described in Note 11 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at 10th Floor, Tower Block, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal place of business of the Company is located at Level 10, Wisma KFC, No.17, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The numbers of employees in the Group and in the Company at the end of the financial year were 187 (2002: 175) and 14 (2002: 12) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 October 2003.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Group recorded a loss for the year of RM175.7 million and has net current liabilities of RM295.6 million as at 30 June 2003. The financial statements of the Group and of the Company have been prepared on the going concern basis which is dependent on the continued financial support of the creditors, lenders, shareholders as well as the successful implementation of the Proposed Reorganisation Scheme, the details of which are disclosed in notes 32 (d), (f), (g) and 33.

In the event the Proposed Reorganisation Scheme is not completed in a timely basis, the preparation of the financial statements on a going concern basis may not be appropriate and accordingly would entail restating assets to their realisable values, accruals for further liabilities that would arise and classification of all assets and liabilities as current. However, the directors are of the opinion that the preparation of the financial statements on a going concern basis is appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated below and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (Contd.)

During the financial year ended 30 June 2003, the Group and the Company adopted the following Malaysian Accounting Standards Board ("MASB") Standards for the first time:

MASB 22	Segment Reporting
MASB 23	Impairment of Assets
MASB 24	Financial Instruments: Disclosure and Presentation
MASB 25	Income Taxes

The effects of adopting MASB 25 are summarised in the Statements of Changes in Equity and further information is disclosed in Note 28 to the financial statements. The presentation and classification of items in the segment information in Note 36 of the previous financial year have been changed to comply with the requirements of MASB 22. The adoption of MASB 23 and MASB 24 have not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

(b) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (Contd.)

(ii) Associates

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

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

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Investments in subsidiaries and associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

Certain property, plant and equipment were revalued and are stated in the balance sheet at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation. The Group has availed itself of the transitional provision in International Accounting Standard 16 (Revised) - 'Property, Plant and Equipment', as adopted by the MASB, by virtue of which a reporting enterprise is allowed to retain revalued amounts on the basis of their previous revaluations (subject to continuity in depreciation policy and requirement to write down to recoverable amounts, as applicable), if it does not further revalue such assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Property, Plant and Equipment and Depreciation (Contd.)

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases ranging from 60 to 99 years. Quarry improvements are written off over a period of two years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2% - 20%
Plant and equipment	5% - 25%
Motor vehicles	20% - 25%
Access road	10% - 20%

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

(e) Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(f) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Finance Leases

Assets acquired by way of hire purchase or 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 leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Finance Leases (Contd.)

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 3(d).

(h) Provisions for Liabilities

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

Provision for restructuring costs is recognised when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

(i) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Prior to the adoption of MASB 25 Income Taxes on 1 July 2002, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Retirement Benefits

Provisions for retirement benefits, under a defined benefit plan which is unfunded, is made in accordance with the provisions stipulated in the Collective Agreements for all eligible employees of a subsidiary of the Company. This provision is calculated based on a percentage of the employees emoluments and the length of their service with the Group. The plan since its inception, has not been subject to review by actuaries, as the directors of the subsidiary are of the opinion that if an actuary is engaged the effect of additional provision, if any, in the financial statements is not material and as such does not justify the cost of engaging an actuary.

(k) Revenue Recognition

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

(i) Sale of goods

Revenue relating to sale of goods is recognised upon the delivery of products and customer acceptance, net of sales taxes and discounts, and after eliminating sales within the Group.

(ii) Progress billings on contracts

Profits accruing on uncompleted contracts where the outcome can be reliably estimated are recognised on the percentage of completion method which determines the stage of completion based on the proportion of contract costs incurred for work performed todate bear to the estimated total contract costs. Provision is made for any foreseeable losses.

(iii) Management and other fees

Management and other fees arising from services rendered are recognised as and when the services are performed.

(iv) Tributes Receivable

Tributes are recognised on an accrual basis in accordance with the terms of agreement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate difference are taken to the income statement.

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date used are as follows:

	2003 RM	2002 RM
United States Dollar	3.80	3.80
Singapore Dollar	2.16	2.15
Euro Dollar	4.38	3.75

(m) Impairment of Assets

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

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

(n) Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resource will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Goodwill and Reserves on Consolidation

Goodwill and reserves on consolidation represent the difference between the cost of acquisition and the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (m). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

(p) Financial Instruments

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

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

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

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

(ii) Receivables

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

(iii) Payables

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Financial Instruments (Contd.)

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

4. REVENUE

Revenue of the Company represents gross dividends, interest income and management and other fees receivable from subsidiary companies.

Revenue of the Group represents the invoiced value of goods sold to third parties, net of discounts and returns and interest income from finance related activities.

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Analysis of revenue:				
Interest income:				
- finance related activities	151	134	-	-
- subsidiaries	-	-	-	414
Rental of equipment from subsidiary company	-	-	-	70
Progress billings on contract works	2,629	2,129	-	-
Sale of goods	21,696	22,550	-	-
Management and other fees from subsidiary companies	-	-	983	1,410
Tributes received and receivable	2,571	576	-	-
	27,047	25,389	983	1,894

5. LOSS FROM OPERATIONS

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated after charging/(crediting):				
Auditors' remuneration	111	107	20	15
Bad debts written off/ (recovered)	50	(108)	-	-
Allowance for doubtful debts	127	-	-	-
Writeback of allowance for doubtful debts	(228)	(1,923)	-	-
Writeback for bonus no longer required	(27)	-	-	-
Depreciation of property, plant and equipment	1,157	1,308	127	197
Property, plant and equipment written off	78	-	72	-
Impairment loss of property, plant and equipment	718	-	-	-
Loss/(gain) on disposal of property, plant and equipment	635	(273)	12	(32)
Deferred expenditure written off	51	-	-	-
Directors' remuneration (Note a)	581	421	508	334
Interest income	(224)	(144)	(11)	(415)
Allowance for retirement benefits	100	106	-	-
Allowance for inventory obsolescence	320	191	-	-
Inventories written off	101	-	-	-
Writeback of allowance for slow moving inventories	-	(272)	-	-
Realised foreign exchange loss	65	-	-	-
Unrealised foreign exchange loss	8	-	-	-
Rental of premises	216	224	104	107
Royalty payable	48	-	-	-
Waiver of loan payable to former subsidiaries	-	-	(431)	-
Waiver of interest receivable from former subsidiaries	-	-	4,488	-
Staff costs	5,639	5,530	455	487

5. LOSS FROM OPERATIONS (CONTD.)

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Included in:				
(i) Other Operating Income is:				
- Reversal of overstatement of special reserve on disposal of investments in subsidiaries in prior years	(898)	-	-	-
(ii) Administration Expenses are:				
- Professional fees incurred for the corporate exercise of the company which was aborted on 13 April 2002 save and except for the Mawar Acquisition	-	1,654	-	1,654
- Professional fees incurred for the Proposed Reorganisation Scheme	795	-	795	-
(iii) Other Operating Expenses are:				
- Loss arising from a subsequent change in the sale proceeds on the disposal of C.I. Readymix Sdn. Bhd., a former subsidiary company	545	1,454	-	-
- Loss on disposal of subsidiaries	3,765	-	1,529	-
- Impairment loss on investments in subsidiaries	-	-	4,517	13,600
- Impairment loss on investments in associate	160,083	-	-	-

5. LOSS FROM OPERATIONS (CONTD.)

	GROUP 2003 RM'000	GROUP 2002 RM'000	COMPANY 2003 RM'000	COMPANY 2002 RM'000
(a) Directors' remuneration				
Directors of the Company				
Executive Directors				
- salaries and allowances	342	177	326	145
- fees	-	-	-	-
- benefits-in-kind*	38	60	33	55
	380	237	359	200
Non-Executive Directors				
- emoluments	104	84	104	84
- fees	30	35	30	35
- benefits-in-kind*	15	15	15	15
	149	134	149	134
	529	371	508	334
Directors of subsidiaries				
Executive Directors				
- other emoluments	52	50	-	-
Total	581	421	508	334

* Estimated monetary value of benefits-in-kind received and receivable by directors otherwise than in cash.

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors 2003 Executive Directors	2003 Non-Executive Directors	2002 Executive Directors	2002 Non-Executive Directors
Directors of the Company:				
Below RM50,000	-	5	-	4
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	1	-	-	-
RM150,001 - RM200,000	-	-	-	-
RM200,001 - RM250,000	1	-	1	-
Directors of the subsidiaries:				
Below RM50,000	2	-	2	-

6. FINANCE COSTS

	GROUP 2003 RM'000	GROUP 2002 RM'000	COMPANY 2003 RM'000	COMPANY 2002 RM'000
Bank overdrafts	42	61	-	-
Bankers acceptances	219	235	-	-
Interest on term loans	20,031	19,362	296	126
Interest on advances by Punca Ibarat Sdn Bhd	2,995	8,888	-	-
Hire purchase interest	63	120	18	31
Lease interest	46	-	-	-
Interest on overdue invoices	7	-	7	-
Bank charges	4	1	4	1
Extension fee	98	1,248	-	-
Factoring	22	-	-	-
Processing fee	-	123	-	-
Intercompany finance expenses	-	-	-	273
	23,527	30,038	325	431

7. TAXATION

	GROUP 2003 RM'000	GROUP 2002 RM'000	COMPANY 2003 RM'000	COMPANY 2002 RM'000
Tax expense for the year	539	568	70	245
Relating to origination and reversal of temporary differences (Note 27)	(84)	(357)	-	-
(Over)/underprovision of income tax expense in prior years	(2,214)	29	(937)	29
Share of taxation in an associate	8,453	8,991	-	-
Deferred tax	6,694	9,231	(867)	274

Income tax is calculated at the statutory tax rate of 28% (2002: 28%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

7. TAXATION (CONTD.)

	2003 RM'000	2002 RM'000
GROUP		
Loss before taxation	(169,271)	(8,281)
Taxation at statutory tax rate of 28% (2002: 28%)	(47,396)	(2,319)
Income not subject to tax	(22)	-
Expenses not deductible for tax purposes	5,954	4,411
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(161)	(64)
Deferred tax assets not recognised on unused deduction for expenses under section 60F of Income Tax Act, 1967	50,143	7,106
Deferred tax assets not recognised on unabsorbed business losses and capital allowances	474	454
Overprovision of deferred tax in prior years	(84)	(357)
Overprovision of income tax expense in prior years	(2,214)	-
Tax expense for the year	6,694	9,231
COMPANY		
Loss before taxation	(12,187)	(14,769)
Taxation at statutory tax rate of 28% (2002: 28%)	(3,412)	(4,135)
Expenses not deductible for tax purposes	3,451	4,409
Deferred tax assets not recognised on unabsorbed business losses and capital allowances	31	-
Overprovision of income tax expense in prior years	(937)	-
Tax expense for the year	(867)	274

Tax losses are analysed as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax savings recognised during the year arising from:				
Utilisation of tax losses brought forward from previous years	23	64	-	-
Unutilised tax losses carried forward	3,932	2,613	92	-

7. TAXATION (CONTD.)

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowances are analysed as follows:				
Tax savings recognised during the year arising from:				
Utilisation of current year unabsorbed capital allowances	53	235	-	-
Utilisation of unabsorbed capital allowances brought forward from previous years	493	598	-	-
Unabsorbed capital allowances carried forward	1,732	1,934	50	-

As at 30 June 2003, the Group and the Company have potential deferred tax benefits of approximately RM1,586,000 (2002: RM1,273,000) and RM40,000 (2002: Nil) respectively arising principally from tax losses carried forward and unutilised capital allowances, the effects of which are not included in the financial statements as it is not probable that taxable profit will be available against which the unused tax losses and unused capital allowances can be utilised.

8. BASIC LOSS PER SHARE

The basic loss per share is calculated based on the loss after taxation and minority interests of the Group and the Company of RM175,744,000 (2002: RM17,145,000) and RM11,320,000 (2002: RM15,043,000) respectively and on the number of ordinary shares of RM1.00 each of 57,377,835 (2002: 57,377,835) in issue during the year.

The diluted earnings per share is not shown as it is not applicable to the Group.

9. DIVIDEND

Net Dividend Proposed:

	Amount		GROUP/COMPANY Net Dividend per Share	
	2003	2002	2003	2002
	RM'000	RM'000	Sen	Sen
First and final dividend of 0.7% less 28% taxation paid during the year (2002: 0.5% tax exempt)	289	287	0.50	0.50

The directors do not recommend the payment of any dividend for the financial year ended 30 June 2003.

10. PROPERTY, PLANT AND EQUIPMENT

GROUP

2003

	At 1.7.2002 RM'000	Disposal of subsidiaries RM'000	Additions RM'000	Disposals RM'000	Write offs RM'000	At 30.6.2003 RM'000
At valuation:						
Long term leasehold land	457	-	-	-	-	457
Building	579	-		-	-	579
	1,036	-	-	-	-	1,036
At cost:						
Freehold land	29,260	-	-	(824)	-	28,436
Long term leasehold land	450	-	-	-	-	450
Buildings	5,171	(189)	148	(134)	-	4,996
Plant and equipment	10,310	(27)	300	(227)	(166)	10,190
Motor vehicles	1,450	-	290	(475)	-	1,265
Access road	1,475	-	-	-	-	1,475
Quarry improvements	4,208	-	-	-	-	4,208
	52,324	(216)	738	(1,660)	(166)	51,020
Total	53,360	(216)	738	(1,660)	(166)	52,056

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP (CONTD.)

2003

	At 1.7.2002 RM'000	Disposal of subsidiaries RM'000	Charge for the year RM'000	Impairment losses RM'000	Disposals RM'000	Write offs RM'000	At 30.6.2003 RM'000
Accumulated Depreciation							
At valuation:							
Long term leasehold land	111	-	5	-	-	-	116
Building	253	-	11	-	-	-	264
	364	-	16	-	-	-	380
At cost:							
Freehold land	-	-	-	595	-	-	595
Long term leasehold land	46	-	5	-	-	-	51
Buildings	2,359	(41)	138	123	-	-	2,579
Plant and equipment	6,916	(23)	810	-	(140)	(88)	7,475
Motor vehicles	857	-	188	-	(268)	-	777
Access road	1,475	-	-	-	-	-	1,475
Quarry improvements	4,208	-	-	-	-	-	4,208
	15,861	(64)	1,141	718	(408)	(88)	17,160
Total	16,225	(64)	1,157	718	(408)	(88)	17,540

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP (CONTD.)

2003

	At 1.7.2002 RM'000	Disposal of subsidiaries RM'000	Additions RM'000	Charge for the year RM'000	Impairment losses RM'000	Disposals RM'000	Write offs RM'000	At 30.6.2003 RM'000
Net Book Value								
At valuation:								
Long term leasehold land	346	-	-	(5)	-	-	-	341
Building	326	-		(11)	-	-	-	315
	672	-	-	(16)	-	-	-	656
At cost:								
Freehold land	29,260	-	-	-	(595)	(824)	-	27,841
Long term leasehold land	404	-	-	(5)	-	-	-	399
Buildings	2,812	(148)	148	(138)	(123)	(134)	-	2,417
Plant and equipment	3,394	(4)	300	(810)	-	(87)	(78)	2,715
Motor vehicles	593	-	290	(188)	-	(207)	-	488
Access road	-	-	-	-	-	-	-	-
Quarry improvements	-	-	-	-	-	-	-	-
	36,463	(152)	738	(1,141)	(718)	(1,252)	(78)	33,860
Total	37,135	(152)	738	(1,157)	(718)	(1,252)	(78)	34,516

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP (CONTD.)

2002

	At 1.7.2001 RM'000	Additions RM'000	Disposals RM'000	Write offs RM'000	At 30.6.2002 RM'000
At valuation:					
Long term leasehold land	457	-	-	-	457
Building	579	-	-	-	579
	1,036	-	-	-	1,036
At cost:					
Freehold land	27,955	1,305	-	-	29,260
Long term leasehold land	450	-	-	-	450
Buildings	4,495	676	-	-	5,171
Plant and equipment	12,262	632	(2,236)	(347)	10,311
Motor vehicles	2,127	101	(779)	-	1,449
Access road	1,475	-	-	-	1,475
Quarry improvements	4,208	-	-	-	4,208
	52,972	2,714	(3,015)	(347)	52,324
Total	54,008	2,714	(3,015)	(347)	53,360

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP (CONTD.)

2002

	At 1.7.2001 RM'000	Charge for the year RM'000	Disposals RM'000	Write offs RM'000	At 30.6.2002 RM'000
Accumulated Depreciation					
At valuation:					
Long term leasehold land	106	5	-	-	111
Building	242	11	-	-	253
	348	16	-	-	364
At cost:					
Long term leasehold land	41	5	-	-	46
Buildings	2,209	150	-	-	2,359
Plant and equipment	8,516	927	(2,396)	(131)	6,916
Motor vehicles	1,370	210	(723)	-	857
Access road	1,475	-	-	-	1,475
Quarry improvements	4,208	-	-	-	4,208
	17,819	1,292	(3,119)	(131)	15,861
Total	18,167	1,308	(3,119)	(131)	16,225

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP (CONTD.)

2002

	At 1.7.2001 RM'000	Additions RM'000	Charge for the year RM'000	Disposals RM'000	Write offs RM'000	At 30.6.2002 RM'000
Net Book Value						
At valuation:						
Long term leasehold land	351	-	(5)	-	-	346
Building	337	-	(11)	-	-	326
	688	-	(16)	-	-	672
At cost:						
Freehold land	27,955	1,305	-	-	-	29,260
Long term leasehold land	409	-	(5)	-	-	404
Buildings	2,286	676	(150)	-	-	2,812
Plant and equipment	3,746	632	(927)	160	(216)	3,395
Motor vehicles	757	101	(210)	(56)	-	592
Access road	-	-	-	-	-	-
Quarry improvements	-	-	-	-	-	-
	35,153	2,714	(1,292)	104	(216)	36,463
Total	35,841	2,714	(1,308)	104	(216)	37,135

COMPANY

	2003			2002		
	Plant and equipment RM'000	Motor vehicles RM'000	Total RM'000	Plant and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1July	409	360	769	744	355	1,099
Additions	17	-	17	16	101	117
Disposals	(136)	-	(136)	(4)	(96)	(100)
Write offs	(149)	-	(149)	(347)	-	(347)
At 30 June	141	360	501	409	360	769
Accumulated Depreciation						
At 1 July	196	129	325	202	100	302
Charge for the year	56	71	127	127	70	197
Disposals	(90)	-	(90)	(2)	(41)	(43)
Write off	(77)	-	(77)	(131)	-	(131)
At 30 June	85	200	285	196	129	325
Net Book Value						
At 30 June	56	160	216	213	231	444