10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(a) The long term leasehold land and building, stated at valuation, was revalued in 1980 by the Directors based on a valuation carried out by an independent professional valuer on an open market value basis. As allowed by the transitional provisions of the International Accounting Standard 16 (Revised), Property, Plant and Equipment, adopted by the Malaysian Accounting Standards Board, these assets have continued to be stated on the basis of their 1980 valuation.

Had the long term leasehold land and building been carried at historical cost less depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the financial year are as follows:

	GROUP	
	2003 RM'000	2002 RM'000
Long term leasehold land	49	50
Building	163	169
	212	219

(b) Net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Motor vehicles	476	549	159	231
Plant and machinery	1,309	1,585	-	-
Office equipment	158	202	-	-
	1,943	2,336	159	231

(c) The net book values of property, plant and equipment pledged for borrowings as referred to in Note 22 are as follows:

	GROUP	
	2003 RM'000	2002 RM'000
Freehold land	27,555	27,555
Freehold building	465	475
Long term leasehold land	71	72
	28,091	28,102

11. INVESTMENTS IN SUBSIDIARIES

	COMPANY 2003 RM'000	COMPANY 2002 RM'000
Unquoted investments, at cost	172,830	176,909
Less: Accumulated impairment losses	(76,477)	(71,960)
	96,353	104,949

Details of the subsidiary companies, which are incorporated in Malaysia, are as follows:

	Company	Principal activities	Effective equity interest 2003 %	Effective equity interest 2002 %
*	Doe Industries Sdn. Bhd.	Manufacture and trading of water taps and other plumbing accessories	100.0	100.0
	C.I. Building Industries Sdn. Bhd.	Investment holding	100.0	100.0
	C.I. Construction Sdn. Bhd.	Building, civil and infrastructure contractor and a quarry operator	100.0	100.0
	C.I. Development Sdn. Bhd.	Dormant	100.0	100.0
	C.I. Management Sdn. Bhd.	Management services	100.0	100.0
	C.I. Enterprise Sdn. Bhd.	Investment holding	100.0	100.0
	C.I. Properties Sdn. Bhd.	Dormant	100.0	100.0
*	C.I. Quarries (Nilai) Sdn. Bhd.	Granite quarrying	100.0	100.0
*	C.I. Quarries Sdn. Bhd.	Granite quarrying and manufacture of bitumen hot premix for road surfacing	100.0	100.0
*	C.I. Quarrying & Marketing Sdn. Bhd.	Granite quarrying	100.0	100.0
*	Capital Aim Sdn. Bhd.	Investment holding	100.0	100.0
*	Mutual Prospect Sdn. Bhd.	Quarry proprietors and operators	100.0	100.0

11. INVESTMENTS IN SUBSIDIARIES (CONTD.)

	Company	Principal activities	Effective equity interest 2003 %	2002 %
*	C.I. Damansara Quarry Sdn. Bhd.	Granite quarrying and manufacture of bitumen hot premix for road surfacing	65.0	65.0
	C.I. Auto Services Sdn. Bhd.	Automotive air conditioning, refrigeration and logistic services	51.0	100.0
	C.I. Marketing Sdn. Bhd.	Marketing and selling of granite quarry products	100.0	100.0
	Mawar Seroja Sdn. Bhd.	Investment holding	100.0	100.0
	C.I. Engineering Sdn. Bhd.	Investment holding	100.0	100.0
	Hwee Ann Credit & Leasing Sdn. Bhd.	Hire purchase finance, leasing and money lending	-	59.9
	Hwee Ann Enterprises Sdn. Bhd.	Insurance agent	-	59.9
	Hwee Ann Development Sdn. Bhd.	Property rental	-	55.9

* The unquoted shares in these subsidiaries are charged by way of a first fixed charge in favour of a licensed bank as additional security for a term loan referred to in Note 22.

11. INVESTMENTS IN SUBSIDIARIES (CONTD.)

(d) Disposal of Subsidiaries

On 29 January 2003, the Company disposed off 59.9% equity interest in Hwee Ann Credit & Leasing Sdn. Bhd., Hwee Ann Enterprises Sdn. Bhd. and 55.9% in Hwee Ann Development Sdn. Bhd.

The effect of the disposals on the financial results of the Group for the financial year to the date of disposal was as follows:

	2003 RM'000	2002 RM'000
Income statement		
Revenue	151	134
Cost of sales	-	(196)
Other operating income	115	182
Administrative expenses	(206)	(130)
Other operating expenses	(275)	(447)
Loss for the year	(215)	(457)
Minority interests	1	2
Decrease in Group loss	(214)	(455)

The effect of the above disposals on the financial position of the Group as at 30 June 2003 was as follows:

	2003 RM'000	2002 RM'000
Balance sheet		
Property, plant and equipment	130	153
Receivables	8,411	36,955
Cash and bank balances	10	160
Payables	(32)	(187)
Provision for taxation	(241)	(241)
Goodwill on consolidation	10	10
Reserve on consolidation	(110)	(110)
Minority interests	(1,716)	(98)
Share of net assets	6,462	36,642
Goodwill on consolidation	303	
Loss on disposal	(3,765)	
Total sale consideration	3,000	
Less: Cash and cash equivalents of subsidiary companies disposed	(10)	
Cash flow on disposal, net of cash and cash equivalents disposed	2,990	

12. INVESTMENT IN ASSOCIATE

	GROUP 2003 RM'000	GROUP 2002 RM'000
Quoted shares in Malaysia, at cost	451,083	451,083
Share of post-acquisition results less dividend received	31,767	23,851
	482,850	474,934
Less: Accumulated impairment losses	(160,083)	-
	322,767	474,934
Market value of quoted shares	205,488*	255,718

* Based on the market price quotation on the Kuala Lumpur Stock Exchange as at 30 June 2003.

(a) The Group's interest in the associate is analysed as follows:

	GROUP 2003 RM'000	GROUP 2002 RM'000
Share of net assets	137,827	129,911
Premium on acquisition	345,023	345,023
	482,850	474,934
Less: Accumulated impairment losses	(160,083)	-
	322,767	474,934

(b) The quoted shares in the associate have been pledged to a licensed bank as security for a term loan referred to in Note 22.

(c) Details of the associate, which is incorporated in Malaysia, are as follows:

Company	Principal activity	Effective equity interest 2003 %	Effective equity interest 2002 %
KFC Holdings (Malaysia) Berhad	Quick service restaurants operator	29.13	29.37

No further impairment losses have been made in the financial statements for the shortfall between the market value and the carrying value of the investment in view of the Proposed CIE Disposal, which forms part of the Proposed Reorganisation Scheme, the details of which are disclosed in notes 32 (d), (f), (g) and 33.

13. GOODWILL ON CONSOLIDATION

	GROUP	
	2003 RM'000	2002 RM'000
At 1 July	20,777	20,777
Arising from disposal of subsidiaries	(313)	-
At 30 June	20,464	20,777

14. INVENTORIES

	2003 RM'000	2002 RM'000
At cost:		
Finished goods/trading inventories	4,728	5,014
Work-in-progress	2,039	2,612
Raw materials and consumable stores	1,771	1,772
	8,538	9,398
Allowance for inventory obsolescence	(982)	(662)
	7,556	8,736
At net realisable value:		
Raw materials	38	-
	7,594	8,736

Movements in allowance for inventory obsolescence are analysed as follows:

	2003 RM'000	2002 RM'000
Balance at the beginning of the financial year	662	471
Allowance for inventory obsolescence	320	191
	982	662

15. TRADE RECEIVABLES

	GROUP 2003 RM'000	GROUP 2002 RM'000
Trade receivables	10,904	11,748
Hire purchase receivables	-	1,452
Loan receivables	-	36,880
	10,904	50,080
Deferred finance income	-	(216)
Interest in suspense	-	(565)
Allowance for doubtful debts	(1,538)	(2,980)
	9,366	46,319

Movements in allowance for doubtful debts are analysed as follows:

	2003 RM'000	2002 RM'000
Balance at the beginning of the financial year	2,980	4,903
Allowance during the year	127	-
	3,107	4,903
Write back of allowance for doubtful debts	(228)	(1,923)
Disposal of subsidiaries	(1,205)	-
Bad debts written off against allowance	(136)	-
	1,538	2,980

The Group's normal trade credit term ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

16. OTHER RECEIVABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits	150	636	52	62
Prepayments	453	92	-	-
Sundry receivables	524	1,501	26	117
Others	28,140	744	28,025	44
	29,267	2,973	28,103	223

Included in Others of the Group and of the Company is an amount of RM28,000,000 (2002: Nil) due from Milestone Option Sdn. Bhd.. This amount is interest-free and is to be settled upon the successful completion of the Proposed 51% Permanis Acquisition which forms part of the Proposed Reorganisation Scheme, the details of which are disclosed in notes 32 (d), (f), (g) and 33.

Other than as disclosed above, the Group and the Company do not have any significant concentration of credit risk that may arise from exposure to a single debtor or groups of debtors.

17. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amount due from subsidiaries arose mainly from advances and payments made on behalf of the subsidiaries. The said amount is unsecured, has no fixed terms of repayment and is interest free (2002: 4.80% to 6.00%).

The amount due to subsidiaries arose mainly from advances and payments made on behalf of the Company. The said amount is unsecured, has no fixed terms of repayment and is interest free (2002: 4.80% to 7.05%).

18. DEPOSITS WITH LICENSED BANKS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits with licensed banks	1,918	5,102	1,400	-

Included in the above for the Group are:

(i) a deposit with licensed bank amounting to RM Nil (2002: RM5,002,000) which was pledged as security for a term loan granted to a subsidiary company, as referred to in Note 22;

18. DEPOSITS WITH LICENSED BANKS (CONTD.)

(ii) a deposit with a licensed bank amounting to RM100,000 (2002: RM100,000) which is pledged as security for a bank overdraft facility granted to a subsidiary company, as referred to in Note 22; and

(iii) a deposit with a licensed bank of RM417,857 (2002: Nil) which is pledged for an import trade financing facility granted to a subsidiary company for its operations, as referred to in Note 22.

19. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and cash equivalents at 30 June comprise the following:				
Cash and bank balances	1,475	903	116	7
Deposits with licensed banks	1,918	5,102	1,400	-
Bank overdrafts (Note 22)	(1,283)	(3,669)	-	-
	2,110	2,336	1,516	7
Less: Deposits with licensed banks pledged as security	-	(5,100)	-	-
	2,110	(2,764)	1,516	7

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	GROUP		COMPANY	
	2003 %	2002 %	2003 %	2002 %
Licensed banks	2.74	4.00	2.40	-

The average maturity period of deposits as at the end of the financial year were as follows:

	GROUP		COMPANY	
	2003 Days	2002 Days	2003 Days	2002 Days
Licensed banks	7	30	7	-

20. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 days.

21. OTHER PAYABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sundry payables	99,152	92,214	1,909	1,407
Accruals	1,365	1,542	647	420
Others	879	5,363	120	102
	101,396	99,119	2,676	1,929

Included in Sundry Payables of the Group is an amount of RM92.7 million (2002: RM89.7million) owing to Punca Ibarat Sdn. Bhd.("PISB"), the former holding company of a subsidiary, which has no fixed terms of repayment and interest is charged at a rate of 1% per month. Effective 1 November 2002, interest will no longer be payable on the amount due to PISB as confirmed by PISB on 11 December 2002. The principal amount owing to PISB of approximately RM83 million will be assumed by QSR Brands Sdn. Bhd. (formerly known as Good Platform Sdn. Bhd.) upon completion of the Proposed CIE Disposal, which forms part of the Proposed Reorganisation Scheme, the details of which are disclosed in notes 32 (d), (f), (g) and 33.

The normal credit terms granted to the Group range from 30 to 60 days.

22. BANK BORROWINGS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Short Term Borrowings				
Secured:				
Bank overdrafts	-	2,801	-	-
Progressive drawdown facility from a licensed financial institution (Note b)	15,000	5,000	-	-
Term loan from a licensed credit company (note f)	4,450	14,596		
Term loans from licensed banks (Note c)	206,982	112		
Bank overdrafts (note d)	1,283	868	-	-
Import trade financing (Note e)	2,051	-		
Hire purchase and finance lease payables (Note 23)	644	602	63	63
	230,410	23,979	63	63

22. BANK BORROWINGS (CONTD.)

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Short Term Borrowings (contd.)				
Unsecured:				
Factoring facility	-	42	-	-
Bankers acceptances	4,172	6,444	-	-
Revolving credit facility	2,021	2,010	2,021	2,010
	236,603	32,475	2,084	2,073
Long Term Borrowings				
Secured:				
Term loans from licensed banks (Note c)	1,743	199,234	-	-
Hire purchase and finance lease payables (Note 23)	643	1,007	79	142
	2,386	200,241	79	142
Total Borrowings				
Bank overdrafts (Note 19)	1,283	3,669	-	-
Progressive drawdown facility from a licensed financial institution	15,000	5,000	-	-
Factoring facility	-	42	-	-
Bankers acceptances	4,172	6,444	-	-
Revolving credit facility	2,021	2,010	2,021	2,010
Term loan from a licensed credit company	4,450	14,596	-	-
Term loans from licensed banks	208,725	199,346	-	-
Import trade financing	2,051	-	-	-
Hire purchase and finance lease payables (Note 23)	1,287	1,609	142	205
	238,989	232,716	2,163	2,215

22. BANK BORROWINGS (CONTD.)

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Maturity of borrowings (excluding hire purchase and finance lease):				
Within one year	235,959	31,873	2,021	2,010
More than 1 year and less than 2 years	248	198,112	-	-
More than 2 years and less than 5 years	275	336	-	-
5 years or more	1,220	786	-	-
	237,702	231,107	2,021	2,010

The weighted average effective interest rates at the balance sheet date for borrowings were as follows:

	GROUP		COMPANY	
	2003	2002	2003	2002
	%	%	%	%
Bank overdrafts	7.76	8.11	-	-
Progressive drawdown facility from a licensed financial institution	12.50	12.50	-	-
Factoring facility	8.75	8.75	-	-
Bankers acceptances	2.87	2.86	-	-
Revolving credit facility	6.23	6.25	6.23	6.25
Import trade financing	2.11	-	-	-
Term loan from a licensed credit company	12.00	12.00	-	-
Short term loan from a licensed bank	8.50	8.90	-	-
Term loans from licensed banks	7.13	6.50	-	-

(a) All the bank borrowings are generally secured by way of a corporate guarantee and indemnity by the Company.

(b) The facility is also secured by a third party legal charge over certain pieces of land owned by a subsidiary.(Note10 (c))

22. BANK BORROWINGS (CONTD.)

(c) Included in the term loans from licensed banks are amounts of:

(i) RM206,728,000 (2002: RM198,112,000), which is secured by a charge on the quoted shares in the associate referred to in Note 12 (b) and a charge on the unquoted shares of 7 subsidiaries referred to in Note 11.

The tenure of the term loan has been extended from January 2002 to January 2004.

(ii) RM1,310,000 (2002:RM1,234,000), which is secured by a first party legal charge over a property of a subsidiary. (Note 10(c))

(iii) RM687,000 (2002: Nil), which is secured by a third party pledge on a subsidiary's fixed deposit of RM100,000 and a negative pledge on a subsidiary's assets. (Note 10(c))

(d) The bank overdrafts are also secured by way of the following:

(i) a third party pledge on a subsidiary's fixed deposit of RM100,000; and

(ii) a negative pledge on certain subsidiaries' assets.

(e) The import trade financing facility is also secured by a security deposit of 20% from each drawdown to be deposited with the bank.

(f) The term loan from the licensed credit company is secured by a charge on the unquoted shares of certain subsidiaries.

The tenure of the loan has been extended from 30 June 2003 till the completion and successful implementation of the Proposed Reorganisation Scheme of the Company.

23. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:				
Not later than 1 year	763	602	81	63
Later than 1 year and not later than 2 years	486	602	81	63
Later than 2 years and not later than 5 years	229	627	17	134
Later than 5 years	45	74	-	-
	1,523	1,905	179	260
Less: Future finance charges	(236)	(296)	(37)	(55)
	1,287	1,609	142	205
Present value of hire purchase and lease liabilities:				
Not later than 1 year	644	560	63	62
Later than 1 year and not later than 2 years	417	560	63	62
Later than 2 years and not later than 5 years	190	431	16	81
Later than 5 years	36	58	-	-
	1,287	1,609	142	205
Analysed as:				
Due within 12 months (Note 22)	644	602	63	63
Due after 12 months (Note 22)	643	1,007	79	142
	1,287	1,609	142	205

The hire purchase and lease liabilities are being charged interest at the balance sheet date of between 3.66% to 5.90% (2002: 3.66% to 5.90%) per annum.

24. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2003	2002	2003	2002
	'000	'000	RM'000	RM'000
Authorised:				
At the beginning/ end of year	500,000	500,000	500,000	500,000
Issued and fully paid:				
At the beginning/ end of year	57,378	57,378	57,378	57,378

25. SPECIAL RESERVE

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
At the beginning of year	11,520	11,520	10,622	10,622
Reversal of overstatement in prior years	(898)	-	-	-
At the end of year	10,622	11,520	10,622	10,622

During the financial year ended 30 June 1996, the Company received approval from the High Court of Malaya to reduce the share premium account of the Company by RM43,385,000 and for such amount to be transferred to a Special Reserve Account and thereon to set off against purchased goodwill at that point in time.

26. RETAINED PROFITS

As at 30 June 2003, the Company has tax exempt profits available for distribution of approximately RM12.1 million (2002: RM12.5 million), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends amounting to RM21.9 million (2002: RM20.0 million) out of its retained profits. If the balance of the retained profits of RM140 million (2002: RM153 million) were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM54 million (2002: RM59 million).

27. DEFERRED TAX LIABILITIES

	GROUP	
	2003	2002
	Accelerated Capital Allowances	Accelerated Capital Allowances
	RM'000	RM'000
At the beginning of year	1,508	1,865
Recognised in the income statement (Note 7)	(84)	(357)
At the end of year (Note 28)	1,424	1,508

Deferred taxation provided for in the financial statements comprise the tax effects of:		
Excess of capital allowances over book depreciation	177	261
Revaluation of long term leasehold land	34	34
Effects of adopting MASB 25	1,213	1,213
	1,424	1,508

28. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(a) Changes in Accounting Policies

During the financial year, the Group and the Company applied four new MASB Standards, one of which became effective from 1 January 2002 and the remaining three in 1 July 2002, and accordingly modified certain accounting policies. The changes in accounting policies which resulted in prior year adjustments are discussed below:

MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(b) Prior Year Adjustments

The changes in accounting policies have been applied retrospectively and comparatives have been restated. The effects of changes in accounting policies are as follows:

	Group	
	2003	2002
	RM'000	RM'000
Effects on reserves on consolidation:		
At the beginning of year, as previously stated	56,781	56,781
Effects of adopting MASB 25	(1,213)	(1,213)
At the beginning of year, as restated	55,568	55,568

Comparatives amounts as at 30 June 2002 have been restated as follows:

	Previously Stated	Adjustments	Restated
	RM'000	RM'000	RM'000
Group			
Deferred tax liabilities (Note 27)	295	1,213	1,508

29. CONTINGENT LIABILITIES

	COMPANY 2003 RM'000	COMPANY 2002 RM'000
(a) Guarantees given to financial instituitions in respect of banking facilities granted to subsidiaries - unsecured	237,701	227,249

The directors are of the opinion that the likelihood of the above contingencies crystallising is remote due to the Proposed Reorganisation Scheme, the details of which are disclosed in notes 32 (d), (f), (g) and 33.

(b) There were no changes in the material litigations of the Group since the last annual balance sheet date up to the date of this report except as disclosed below:

(i) A former employee of the Company had obtained a High Court Judgement in September 1998 against the Company for the issue of 250,000 new shares of the Company under an Employee Share Option Scheme ("ESOS") to be allotted at an issue price of RM1.38 per share. The Company has appealed against the judgement. The former employee has cross-appealed to the Appellate Court for damages in excess of RM2.5 million to be paid in cash in lieu of the 250,000 new shares. In addition, the former employee is also claiming reimbursement of legal fees of RM60,000.

On 1st July 2003, the former employee filed a copy of the notice of motion and affidavit in support to proceed with the hearing of appeal without the grounds of decision of the learned trial Judge. No date has been fixed for hearing.

The Company's solicitor is of the opinion that the Court of Appeal would allow the Appeal and reverse the decision of the trial Judge.

(ii) A financial institution had taken legal action against a subsidiary of the Company for a sum of RM1.24 million assigned by a contractor ("Assigned Sum") of the subsidiary to the financial institution. In addition, the financial institution is also claiming against the subsidiary interest calculated at 8% per annum on the Assigned Sum chargeable from 10 October 2000 to the date of full settlement.

On 22nd August 2003, the financial institution's solicitors formally served the Judgement and demanded payment. The subsidiary is in the process of applying for an urgent stay of execution pending the determination of the 1st Appeal which was lodged on 10th February 2003 and the 2nd Appeal which came up for hearing on 7th July 2003. The subsidiary's solicitors have advised that there are good merits in the 1st and 2nd Appeals and that there are special and exceptional circumstances to warrant a stay.

(iii) On 27th June 2003, a quarry contractor served a Writ of Summons on a subsidiary of the Company for damages of RM3.062 million for wrongful termination of the extended quarry contract.

The subsidiary has filed its defence and the court hearing date has yet to be fixed. As the case is at the preliminary stage, the directors of the Company cannot confirm the likely outcome of the legal claim at this stage.

29. CONTINGENT LIABILITIES (CONTD.)

(iv) Shareholder's Agreements

On 1 June 2002, the Company and C.I. Enterprise Sdn. Bhd., a wholly-owned subsidiary of the Company were induced to enter into the Shareholder's Agreements and a Letter of Undertaking issued by the holding company both dated 1 June 2002 in relation to the Franchise Agreements between:

(i) Kentucky Fried Chicken International Holdings, Inc. and Kentucky Fried Chicken Management Pte Ltd;

(ii) Pizza Hut International, LLC and Pizza Hut Singapore Pte Ltd; and

(iii) Pizza Hut International, LLC, Kentucky Fried Chicken International Holdings, Inc., Taco Bell Corp and Pizza Hut Singapore Pte Ltd.

Due to the nature of the terms and conditions of the Shareholder's Agreements and the Letter of Undertaking there is a contingent liability, which cannot be quantified presently, on the Group unless and until there is a breach of the Franchise Agreement(s) and/or the Shareholder's Agreement(s) and/or the Letter of Undertaking or in the event the Franchisor(s) exercise any of its rights pursuant to the Franchise Agreement(s) or take action to enforce any of its rights and remedies under the Shareholder's Agreement(s).

The Shareholder's Agreements will no longer be applicable upon the completion of the Proposed Reorganisation Scheme.

30. CAPITAL COMMITMENTS

	GROUP	
	2003	2002
	RM'000	RM'000
Authorised but not contracted for	1,592	2,154

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Management fees received from subsidiaries				
- C.I. Construction Sdn. Bhd.	-	-	-	353
- C.I. Quarries Sdn. Bhd.	-	-	388	353
- Doe Industries Sdn. Bhd.	-	-	386	353
- Hwee Ann Credit & Leasing Sdn. Bhd.	-	-	189	353
Interest received from subsidiaries				
- C.I. Quarries Sdn. Bhd.	-	-	-	240
- Hwee Ann Credit & Leasing Sdn. Bhd.	-	-	-	174
Rental and other charges received from a subsidiary				
- Doe Industries Sdn. Bhd.	-	-	-	70
Interest paid to a subsidiary				
- Doe Industries Sdn. Bhd.	-	-	-	286
Advances received from subsidiaries:				
- C.I. Quarries Sdn. Bhd.	-	-	3,138	1,014
- C.I. Building Industries Sdn. Bhd.	-	-	-	30
- C.I. Auto Services Sdn. Bhd.	-	-	789	2,898
- Doe Industries Sdn. Bhd.	-	-	14,834	4,763
- C.I. Management Sdn. Bhd.	-	-	458	-
- Hwee Ann Credit & Leasing Sdn. Bhd.	-	-	-	11,020
Advances made to subsidiaries				
- C.I. Enterprise Sdn. Bhd.	-	-	11,687	14,527
- Mawar Seroja Sdn. Bhd.	-	-	11	6
- C.I. Management Sdn. Bhd.	-	-	-	2,799
- C.I. Building Industries Sdn. Bhd.	-	-	1,895	-
- C.I. Construction Sdn. Bhd.	-	-	252	177
- C.I. Engineering Sdn. Bhd.	-	-	118	-

The transactions have been entered into in the normal course of business and are based on negotiated and mutually agreed terms, which are not materially different from those obtainable in transactions with unrelated parties.

32. SIGNIFICANT EVENTS

During the financial year under review, the following singnificant events occured:

(a) On 25 July 2002, the issued and paid-up share capital of C. I. Auto Services Sdn. Bhd. ("CIAS"), a wholly-owned subsidiary of the Company was increased to 200,000 ordinary shares of RM1.00 each from 2 ordinary shares of RM1.00 each.

(b) Pursuant to (a) and on the same date, C.I. Engineering Sdn. Bhd. ("CIEN"), another wholly-owned subsidiary of the Company entered into a Shareholders' Agreement ("the Agreement") with Venture Features Sdn. Bhd. ("VFSB) to regulate their relationship inter-se and generally in the conduct and affairs of CIAS. The Agreement provided that CIEN and VFSB will hold 51% and 49% respectively of the issued and paid up share capital of CIAS. CIEN is required to subscribe an additional 101,998 ordinary shares of RM1.00 each representing 51% of the issued and paid up capital of CIAS for a cash consideration of RM101,998.

(c) On 10 December 2002, Hwee Ann Credit & Leasing Sdn. Bhd, a 59.9% owned subsidiary of the Company acquired a dormant shelf company known as Kreatif Nirwana Sdn Bhd ("KNSB") with fully paid-up share capital of RM2.00 divided into 2 ordinary shares of RM1.00 each, for a total cash consideration of RM1,800.00. KNSB was incorporated in Malaysia on 12 November 2001 with an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each.

(d) On 20 December 2002, the Company announced that it proposed to participate in a reorganisation scheme which involves the Company, Ayamas Food Corporation Berhad ("Ayamas") and KFC Holdings (Malaysia) Berhad ("KFCH") in various proposals to reorganise the group structure and strengthen the respective companies' financial conditions ("Proposed Reorganisation Scheme").

To facilitate the Proposed Reorganisation Scheme, the Company proposed the following:

(i) Proposed disposal of the entire equity interest in C.I. Enterprise Sdn. Bhd.("CIE"), a wholly-owned subsidiary of the Company, comprising 300,000 ordinary shares of RM1.00 each to QSR Brands Sdn. Bhd. (formerly known as Good Platform Sdn. Bhd.) for a cash consideration of RM1.00 and the assumption by QSR Brands Sdn. Bhd. of the corporate guarantee of RM198 million given by the Company to Alliance Bank Malaysia Berhad ("Proposed CIE Disposal");

Included in CIE's total borrowings is an amount of RM198 million which is secured by its investment in 57,000,000 ordinary shares of RM1.00 each in KFCH and also by a corporate guarantee from the Company. KFCH is a company listed on the Main Board of the Kuala Lumpur Stock Exchange, and is principally involved in investments and provision of management services. Its subsidiaries are primarily engaged in the operations of restaurants, poultry processing, convenience food store chain, bakery and property investment.

32. SIGNIFICANT EVENTS (CONTD.)

(ii) Proposed Renounceable Rights Issue of 57,377,835 new ordinary shares of RM1.00 each together with 57,377,835 free new detachable warrants on the basis of one Rights Share held and one Warrant for every one existing ordinary share of RM1.00 each held at a proposed issue price of RM1.00 per Rights Share ("Proposed Rights Issue");

(iii) Proposed Acquisition of 51% equity interest in Permanis Sdn. Bhd. comprising 20,400,000 ordinary shares of RM1.00 each, from Urban Fetch Sdn. Bhd. for a cash consideration of RM2.3 million and the assumption by the Company of liabilities amounting to RM34.42 million ("Proposed 51% Permanis Acquisition"); and

(iv) Proposed Acquisition of the entire interest in Pep Bottlers Sdn. Bhd., comprising 300,000 ordinary shares of RM1.00 each, from KFCH for a cash consideration of RM35.28 million ("Proposed Pep Bottlers Acquisition").

(e) On 29 January 2003, the Company together with C.I. Management Sdn. Bhd., a wholly-owned subsidiary, sold the Group's investment of 2,399,971 ordinary shares of RM1.00 each representing 59.9% equity in Hwee Ann Credit & Leasing Sdn. Bhd., Hwee Ann Enterprises Sdn. Bhd. and 55.9% in Hwee Ann Development Sdn. Bhd. for RM3.0 million. The disposal was completed on 20 March 2003.

(f) On 14 March 2003, the Company announced that, as part of the Proposed Reorganisation Scheme, the Company and Doe Industries Sdn. Bhd. ("Doe"), a wholly owned subsidiary, have entered into a Debt Settlement Agreement ("DSA") with Malaysian Assurance Alliance Berhad ("MAA") for the proposed settlement of the principal amount owing by Doe to MAA amounting to RM15.0 million as at 28 February 2003 via the issuance of 14,851,485 new ordinary shares of RM1.00 each in the Company ("Proposed Debt Settlement").

The Proposed Debt Settlement is conditional on the Proposed Reorganisation Scheme, but not vice versa.

(g) The Proposed Reorganisation Scheme has been granted approval by Bank Negara Malaysia vide its letter dated 11 June 2003 and the approval was announced by the Company on 11 June 2003. Other matters in respect of the Proposed Reorganisation Scheme are disclosed in Note 33, Significant Events After Balance Sheet Date.

33. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Subsequent to the balance sheet date, the Proposed Reorganisation Scheme has been granted approvals by:

(i) the Ministry of International Trade and Industry vide its letter dated 9 July 2003 and announced by the Company on 16 July 2003;

(ii) the Securities Commission ("SC") and SC (on behalf of the Foreign Investment Committee) vide its letter dated 12 August 2003 and announced by the Company on 13 August 2003; and

(iii) the shareholders of the Company at an Extraordinary General Meeting held on 22 October 2003 and announced by the Company on 22 October 2003.

The completion of the Proposed Reorganisation Scheme is subject to and conditional upon approvals being obtained from the following:

(i) SC on the removal of the restrictive covenant in the International Franchise Agreement dated 17 February 2003;

(ii) shareholders and warrantholders of Ayamas and shareholders of QSR Brands Sdn. Bhd. at their respective court convened general meetings for the Proposed CIE Disposal; and

(iii) shareholders of KFCH at their Extraordinary General Meeting for the Proposed Pep Bottlers Acquisition.

Barring unforeseen circumstances, the Proposed Reorganisation Scheme is expected to be completed within six months from the date of all approvals required for the Proposed Reorganisation Scheme having been obtained.

34. COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except for the following:

(a) that certain comparative amounts have been adjusted as a result of changes in accounting policies as disclosed in Note 3(a) and Note 28.

(b) The presentation and classification of items in the segment information (Note 36) of the previous financial year have been changed to comply with the requirements of MASB 22: Segment Reporting which was adopted during the financial year.

35. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign currency, liquidity and credit risks. The Company operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets as at 30 June 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better returns than cash at bank.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign Currency Risk

The Group is not exposed to significant foreign currency risk as majority of the Company's transactions are denominated in Ringgit Malaysia.

The Group does not use any forward contracts to hedge against its exposure to foreign currency risk.

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. In addition, the Group is endeavouring to settle its outstanding debts through its Proposed Reorganisation Scheme the details of which are disclosed in notes 32(d), (f), (g) and 33.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

35. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company as at the end of the financial year are represented as follows:

	GROUP		COMPANY	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
At 30 June 2003:				
Investments in subsidiaries	-	-	96,353	*
Investment in associate	322,767	205,488	-	-
Amounts due from subsidiaries	-	-	148,932	#
At 30 June 2002:				
Investments in subsidiaries	-	-	104,949	*
Investment in associate	474,934	255,718	-	-
Amounts due from subsidiaries	-	-	167,172	#
Financial Liabilities				
At 30 June 2003:				
Amounts due to subsidiaries	-	-	39,407	#
Term loan from a licensed credit company	4,450	@	-	-
Term loans from licensed banks	208,725	@	-	-
Hire purchase and finance lease payables	1,287	1,326	142	152
At 30 June 2002:				
Amounts due to subsidiaries	-	-	25,470	#
Term loan from a licensed credit company	14,596	@	-	-
Term loans from licensed banks	199,346	@	-	-
Hire purchase and finance lease payables	1,609	1,664	205	214

* It is not practical to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

35. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

\# It is also not practical to estimate the fair values of amounts due from/(to) related corporations due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs.

@ It is not practical to estimate the fair values of the term loans due principally to a lack of fixed repayment term as it depends on the completion of the Proposed Reorganisation Scheme.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Investment in associate

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

36. SEGMENT INFORMATION

(a) Business Segments:

The Group is organised into four major business segments:

(i) Building and contruction related products

(ii) Provision of engineering services

(iii) Investment holdings

(iv) Financial services

The directors are of the opinion that all inter-segment trasactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

36. SEGMENT INFORMATION (CONTD.)

30 June 2003

	Building and construction related products RM'000	Engineering RM'000	Financial Services RM'000	Investment Holdings RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue							
External sales	25,176	1,719	152	-	-	-	27,047
Inter-segment sales	1,466	-	-	-	11	(1,477)	-
Total revenue	26,642	1,719	152	-	11	(1,477)	27,047
Result							
Segment results	(372)	(415)	(216)	(161,189)	72	-	(162,120)
Loss on disposal of discontinuing operations	-	-	(3,765)	-	-	-	(3,765)
Unallocated corporate expenses	-	-	-	-	-	-	(795)
Profit from operations							(166,680)
Finance costs, net	-	-	-	-	-	-	(23,527)
Share of results of associates	-	-	-	20,936	-	-	20,936
Taxation	-	-	-	-	-	-	(6,694)
Profit after taxation							(175,965)
Minority interests							221
Net profit for the year							(175,744)
Assets							
Segment assets	54,066	568	-	50,479	14	-	105,127
Investment in equity method of associates	-	-	-	322,767	-	-	322,767
Consolidated total assets							427,894
Liabilities							
Segment liabilities	37,354	4,106	-	308,118	15	-	349,593
Unallocated corporate liabilities	-	-	-	-	-	-	600
Consolidated total liabilities							350,193
Other Information							
Capital expenditure	683	37	-	18	-	-	738
Depreciation	1,004	25	-	128	-	-	1,157
Impairment losses	718	-	-	160,083	-	-	160,801
Non-cash expenses other than depreciation and impairment losses	1,336	96	595	1,529	-	-	3,556

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36. SEGMENT INFORMATION (CONTD.)

30 June 2002

	Building and construction related products RM'000	Engineering RM'000	Financial Services RM'000	Investment Holdings RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue							
External sales	23,691	1,564	134	-	-	-	25,389
Inter-segment sales	3,772	-	-	-	10	(3,782)	-
Total revenue	27,463	1,564	134	-	10	(3,782)	25,389
Result							
Segment results	261	(197)	(872)	(3,064)	(16)	-	(3,888)
Loss on disposal of discontinuing operations	-	-	-	-	-	-	-
Unallocated corporate expenses	-	-	-	-	-	-	-
Profit from operations							(3,888)
Finance costs, net	-	-	-	-	-	-	(30,038)
Share of results of associates	-	-	-	25,645	-	-	25,645
Taxation	-	-	-	-	-	-	(9,231)
Profit after taxation							(17,512)
Minority interests							367
Net profit for the year							(17,145)
Assets							
Segment assets	57,525	1,325	37,015	26,241	34	-	122,140
Investment in equity method of associates	-	-	-	474,934	-	-	474,934
Consolidated total assets							597,074
Liabilities							
Segment liabilities	28,592	3,473	249	308,138	40	-	340,492
Unallocated corporate liabilities	-	-	-	-	-	-	-
Consolidated total liabilities							340,492
Other Information							
Capital expenditure	2,500	96	-	118	-	-	2,714
Depreciation	1,092	5	14	197	-	-	1,308
Impairment losses	-	-	-	-	-	-	-
Non-cash expenses other than depreciation and impairment losses	1,751	-	-	-	-	-	1,751

(b) No segment information by geographical area has been presented as the Group operates predominantly in Malaysia.

Company No.: 37918-A

ERNST & YOUNG
AF: 0039

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REPORT OF THE AUDITORS TO THE MEMBERS OF C.I. HOLDINGS BERHAD (Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 75 to 131. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company as at 30 June 2003 and of the results and cash flows of the Group and of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

ERNST & YOUNG
AF: 0039

REPORT OF THE AUDITORS TO THE MEMBERS OF
C.I. HOLDINGS BERHAD
(Incorporated in Malaysia)

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the financial statements. As the preparation of the financial statements of the Group and of the Company on the going concern basis is significantly dependent on the continued financial support of creditors, lenders, shareholders as well as the successful implementation of the Proposed Reorganisation Scheme, we consider that these disclosures should be brought to your attention. Our opinion is not qualified in this respect.

Ernst & Young
ERNST & YOUNG
AF: 0039
Chartered Accountants

Mohd Sukarno bin Tun Sardon
1697/03/05(J)
Partner

Kuala Lumpur, Malaysia
22 October 2003