

## 11. ACCOUNTANTS' REPORT



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23 December 2002

Dear Sirs

### **Accountants' Report**

The following report has been prepared by Messrs. KPMG, an approved company auditor, for inclusion in the Prospectus to be dated 30 December 2002 in connection with:

- i) the public issue of 30,000,000 new ordinary shares of RM0.10 each in Symphony House Bhd ("SHB") comprising:
  - a) 10,000,000 new ordinary shares of RM0.10 each to eligible Directors and employees of SHB and its subsidiaries in Malaysia and the Malaysian public, at an issue price of RM0.50 per ordinary share payable in full on application; and
  - b) 20,000,000 new ordinary shares of RM0.10 each by private placement to identified investors, at an issue price of RM0.50 per ordinary share payable in full on application;

and,

- ii) the listing of and quotation for the entire enlarged issued and paid up share capital of SHB on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("MESDAQ").

## **1 General information**

### **1.1 Background**

SHB was incorporated in Malaysia on 16 September 2002 as a private limited company under the Companies Act, 1965 under the name of Symphony House Sdn Bhd. SHB was subsequently converted to a public limited company on 21 October 2002 for the purpose of the public issue and listing of and quotation for its shares on the MESDAQ.

The principal activity of SHB is that of investment holding.



**11. ACCOUNTANTS' REPORT (Cont'd)****1.2 Share capital**

The present authorised share capital of SHB is RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each and the issued and fully paid up share capital is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each.

The details of the changes in the issued and fully paid up share capital of SHB since its incorporation are as follows:

<b>Date of allotment</b>	<b>Number of ordinary shares</b>	<b>Issue price per ordinary share</b>	<b>Consideration</b>	<b>Total issued and paid up share capital</b>
	<b>'000</b>	<b>RM</b>		<b>RM'000</b>
Upon incorporation	*	0.10	Subscribers' shares	**
11 October 2002	110,000	0.10	Acquisition of Symphony Global Technologies Sdn Bhd ("SGT") and its subsidiaries	11,000
11 October 2002	115,000	0.10	Acquisition of Signet & Co. Sdn Bhd ("Signet"), Signet Share Registration Services Sdn Bhd ("SSRS") and Signet Nominees Sdn Bhd ("SNSB")	22,500
11 October 2002	25,000	0.425	Working capital purposes	25,000

\* 20

\*\* RM2

The issued and fully paid up share capital of SHB after the public issue of 30,000,000 new ordinary shares would be RM28,000,000 comprising 280,000,000 ordinary shares of RM0.10 each.

**1.3 Scheme**

After 30 June 2002 (being the last date to which audited financial statements of the subsidiaries have been prepared), SHB undertook the following reorganisation exercise:-

- i) SHB entered into a Sale and Purchase Agreement dated 18 September 2002 to acquire the entire issued and paid up share capital of the following companies:
  - a) SGT which had an issued and paid up share capital of 1,184,932 ordinary shares of RM1.00 each;
  - b) Signet which had an issued and paid up share capital of 100,000 ordinary shares of RM1.00 each;
  - c) SSRS which had an issued and paid up share capital of 1,000 ordinary shares of RM1.00 each; and
  - d) SNSB which had an issued and paid up share capital of 2 ordinary shares of RM1.00 each.

## 11. ACCOUNTANTS' REPORT *(Cont'd)*



SGT was acquired for a total consideration of RM10,999,998 which was satisfied by the issuance of 109,999,980 new ordinary shares of RM0.10 each in SHB at an issue price of RM0.10 per ordinary share credited as fully paid. The purchase consideration of RM10,999,998 was determined on a willing buyer, willing seller basis.

Signet, SSRS and SNSB were collectively acquired for a total consideration of RM11,500,000 which was satisfied by the issuance of 115,000,000 new ordinary shares of RM0.10 each in SHB at an issue price of RM0.10 per ordinary share credited as fully paid. The purchase consideration of RM11,500,000 was determined on a willing buyer, willing seller basis.

The acquisition was completed on 11 October 2002.

- ii) SHB carried out an internal reorganisation whereby it acquired from SGT the entire issued and paid up share capital of Xenet Pte Ltd ("Xennet") comprising 272,984 ordinary shares of SGD1 each for a purchase consideration of RM13,500,000 to be satisfied by cash. The purchase consideration of RM13,500,000 was determined based on the cost of investment of SGT as at 30 June 2002.

The acquisition was completed on 14 October 2002.

- iii) As part of the internal reorganisation mentioned in (ii), SHB acquired from Xenet the entire issued and paid up share capital of Symphony Xen Solutions Sdn Bhd ("SXS") (formerly known as Xen.com Sdn Bhd) comprising 500,000 ordinary shares of RM1.00 each for a purchase consideration of SGD240,000 to be satisfied by cash. The purchase consideration of SGD240,000 was determined based on the cost of investment of Xenet as at 30 June 2002.

The acquisition was completed on 14 October 2002.

- iv) On 11 October 2002, SHB undertook a private placement of 25,000,000 new ordinary shares of RM0.10 each to identified investors at an issue price of RM0.425 each. The shares under the private placement were fully paid up on 2 December 2002.

In conjunction with the listing of and quotation for the entire enlarged issued and paid up share capital of SHB on the MESDAQ, SHB will undertake a public issue of 30,000,000 new ordinary shares of RM0.10 each comprising:

- i) 10,000,000 new ordinary shares of RM0.10 each to eligible Directors and employees of SHB and its subsidiaries in Malaysia and the Malaysian public, at an issue price of RM0.50 per ordinary share payable in full on application; and
- ii) 20,000,000 new ordinary shares of RM0.10 each by private placement to identified investors, at an issue price of RM0.50 per ordinary share payable in full on application.

## 11. ACCOUNTANTS' REPORT (Cont'd)



## 1.4 Information on subsidiaries and associate

The SHB Group (or "Group") comprises SHB and the following subsidiaries, all of which are incorporated in Malaysia as private limited companies under the Companies Act, 1965, other than Xenet which was incorporated in Singapore. The details of the subsidiaries as at the date of this report and their principal activities are as follows:

Name	Date of incorporation	Share capital		Principal activities
		Authorised RM	Issued and fully paid up RM	
SGT	10 April 2001	10,000,000	1,184,932	Provision of strategic and business process outsourcing, IT infrastructure, systems and networking consultancy and business and systems integration services
Xenet	28 July 2000	SGD500,000	SGD272,984	Provision of application software development, computer solutions and information technology services
SXS	30 November 1999	500,000	500,000	Provision of application software development, computer solutions and information technology consultancy services.
Signet	21 April 1984	1,000,000	100,000	Provision of corporate secretarial and accounting services
SNSB	25 April 1985	25,000	25,000	Provision of nominee services
SSRS	25 February 2000	100,000	100,000	Provision of share registration services

The details of the associate are as follows:

Name	Date of incorporation	Share capital		Principal activities
		Authorised RM	Issued and paid up RM	
OSK-Signet Trustees Bhd* ("OSK-Signet")	6 March 2002	1,000,000	500,000	Provision of trustee services

\* Signet, SSRS and SNSB collectively owned 50% of OSK-Signet. OSK-Signet had issued 100,000 ordinary shares of RM10.00 each of which RM5.00 was called and paid up on the date of issuance with the remaining RM5.00 remained uncalled in accordance with the Trust Companies Act, 1949.

## 11. ACCOUNTANTS' REPORT (Cont'd)



## 1.5 Financial statements and auditors

The intended financial year end of the SHB Group is 31 December. The financial statements of all companies in the SHB Group were audited for the relevant financial years/periods under review except for SHB which was incorporated on 16 September 2002. KPMG was the auditors of SGT, Xennet, SXS, Signet and SSRS for the financial period ended 30 June 2002 and SNSB for the financial year ended 30 June 2002. The financial statements of SGT and Xennet for the financial period ended 31 December 2001, Signet for the financial years ended 31 December 1997 to 2001, SNSB for the financial years ended 30 June 1997 to 2001, and SSRS and SXS for the financial period ended 31 December 2000 and the financial year ended 31 December 2001 were audited by another firm of accountants.

The auditors' reports of SHB and its subsidiaries for all the relevant financial years/periods under review were not subject to any qualification.

## 2 Financial performance

We set out below the summarised proforma consolidated results of the SHB Group for the past five(5) financial years ended 31 December 2001 and the six (6) month period ended 30 June 2002 after making such adjustments considered necessary assuming that the Group has been in existence throughout the years/period under review. The following results are to be read in conjunction with the notes thereon.

## 2.1 The SHB Group - Proforma consolidated results

	<-----Year ended 31 December----->					Six (6) month ended 30 June 2002
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	RM'000
Revenue	12,203	9,046	11,137	14,834	15,689	8,605
Profit before depreciation and interest	7,477	2,266	5,310	5,384	5,334	3,364
Depreciation and amortisation	-	(57)	(38)	(142)	(544)	(346)
Interest expense	-	-	-	(5)	(37)	(22)
Interest income	-	2	-	2	-	-
Profit before taxation	7,477	2,211	5,272	5,239	4,753	2,996
Taxation	(2,098)	(619)	(2)	(1,836)	(1,522)	(949)
Profit after taxation	5,379	1,592	5,270	3,403	3,231	2,047
Number of ordinary shares in issue during the year ('000)*	250,000	250,000	250,000	250,000	250,000	250,000
Earnings per share (RM)						
- Gross	0.03	0.01	0.02	0.02	0.02	0.02#
- Net	0.02	0.01	0.02	0.01	0.01	0.02#

\* The number of ordinary shares assumed in issue throughout the financial years/period under review represents the number of shares in issue after the cash placement of 250,000,000 ordinary shares of RM0.10 each.

# Annualised

## 11. ACCOUNTANTS' REPORT (Cont'd)



### Notes:

- i) Revenue of the Group comprises revenue generated from provision of corporate services and IT related businesses. The corporate services business commenced since 1984 with the incorporation of Signet. The IT service business commenced in 1999 with the incorporation of SXS in November 1999.

The performance of corporate services is dependent on the economic climate in Malaysia. Revenue decreased in 1998 mainly due to the aftermath effect of the Asian economic crisis in 1997. The increase in revenue from 1999 onwards is in tandem with the recovery of the economy.

Increase in revenue in 2000 was due to the commencement of the Group's IT business. In 2000, SXS generated RM931,000 in revenue for the Group. The revenue from the Group's IT business had further increased to RM2,373,000 in 2001. The increase is in tandem with the full year operation of SXS coupled with the commencement of business in SGT and Xennet.

Revenue had further increased in 2002 in tandem with the growth of the operations of SGT and Xennet.

- ii) In 1998, the Group experienced a decrease in pre-tax profit margin from 61% to 24% mainly due to the increase in allowance for doubtful debts coupled with the decrease in revenue as a result of the economic crisis in 1997.

The pre-tax profit margin rebounded to 47% in 1999 in line with the improvement in revenue.

Subsequently, the pre-tax profit margin decreased to 35% in 2000 mainly due to increase in allowance for doubtful debts in Signet.

Pre-tax profit margin further declined to 30% in 2001 despite an increase in revenue. This is mainly due to the high start up costs incurred in the Group's IT services business. The IT services business of the Group was still in its infancy stage and had incurred losses.

- iii) There was no material difference between the effective tax rate and the statutory tax rate for 1997 and 1998.

No taxation was provided for in 1999 as all income, except for dividend income, was waived from tax pursuant to the Income Tax (Amendment) Act, 1999.

The effective tax rate in 2000, 2001 and 2002 is higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes.

- iv) There were no exceptional or extraordinary items during the financial years/period under review.

## 11. ACCOUNTANTS' REPORT *(Cont'd)*



### 2.2 Notes to the proforma consolidated results

#### i) Basis of Accounting

The proforma consolidated results of the SHB Group for the past five (5) years ended 31 December 2001 and six (6) month period ended 30 June 2002 have been prepared in compliance with applicable approved accounting standards in Malaysia.

#### ii) Basis of Consolidation

The proforma consolidated results of the SHB Group for the past five (5) years ended 31 December 2001 and six (6) month period ended 30 June 2002 have been prepared for illustrative purposes only and are based on the audited financial statements of SHB's subsidiaries and the proforma financial statements of SHB as at 16 September 2002 after making adjustments for the scheme as referred in Section 1.3 and other adjustments considered necessary, and assuming that the Group has been in existence throughout the period under review.

As the financial year end of SNSB is non coterminous with SHB prior to the financial year ended 31 December 2001, the financial results of SNSB are not prorated as the Company is inactive and the Company's contribution to the Group's results is not significant.

The results of SHB's associated company, namely OSK-Signet, is not included in the proforma consolidated results as the Directors and management of the SHB Group are of the opinion that the Company has insignificant operations and the share of profit from associate arising from consolidation is immaterial to the Group.

#### iii) Earnings per share (EPS)

Gross EPS has been calculated based on profit before taxation and net EPS has been calculated based on profit attributable to shareholders of SHB over the number of shares issued of 250,000,000 ordinary shares of RM0.10 each, which is the number of SHB shares assumed in issue in order to form the Group.

#### iv) Dividend

None of the subsidiaries have declared or paid dividends during the past five (5) years ended 31 December 2001 and six (6) month period ended 30 June 2002 other than as follows:-

- In 2001, Signet declared a first and final dividend on 100,000 ordinary shares of RM371.91 gross per share less tax at 28% and RM52.72 gross per share tax exempt, amounting to RM32,050,000.
- In 2002, Signet declared an interim dividend of RM12.50 gross per share less tax at 28% on the existing 100,000 ordinary shares, amounting to RM900,000.
- In 2001, SSRS proposed a first and final dividend of RM3,344,454 less tax at 28%, payable on 31 May 2002.

### 2.3 The SHB Group - Proforma Consolidated Balance Sheets

As the group was in placed in October 2002, it is therefore impractical to present consolidated balance sheets of SHB Group throughout the period under review. Accordingly, proforma consolidated balance sheets of the SHB Group have only been presented in respect of 30 June 2002 based on the latest audited statement of assets and liabilities as at 30 June 2002 as shown in Section 3 of this Report.

**11. ACCOUNTANTS' REPORT (Cont'd)****2.4 SGT****Historical performance**

The following financial information of SGT was extracted from the audited financial statements of SGT for the financial period from 10 April 2001, date of incorporation to 31 December 2001 and the six (6) month financial period ended 30 June 2002. The commentaries for the relevant periods under review were obtained based on enquiries of management and representations made by the Directors.

**2.4.1 Summary of results**

	<b>Period from 10 April to 31 December 2001 RM'000</b>	<b>Six (6) month ended 30 June 2002 RM'000</b>
Revenue	318	1,151
(Loss)/Profit before depreciation and interest	(138)	420
Depreciation	(5)	(2)
Interest expense	-	-
(Loss)/Profit before taxation	(143)	418
Taxation	-	(81)
(Loss)/Profit after taxation	(143)	337
Number of ordinary shares in issue at year end ('000)	10	1,185
Weighted average number of ordinary shares of RM1.00 each in issue ( '000)	*	298
Net (loss)/earnings per share (RM)	(90.6)	2.2#

\* 1,581

# Annualised

**Notes:**

- i) Revenue represents total contract billings recognised on the percentage of completion method. In 2001, SGT only had one project, which was awarded by Global Innovative Management Partners-ACT Sdn Bhd ("GI"), a former corporate shareholder of SGT, for a total contract value of RM600,000. This project is expected to be completed by 2002.

The revenue increased to RM1,151,000 in 2002 as SGT secured two additional projects from GI and SN Solutions Sdn Bhd, a subsidiary of GI. Both projects were completed during the period.

- ii) In 2001, given the high start up costs incurred, the Company had yet to operate in a profitable manner. The improvement in pre-tax profit margin in 2002 from a pre tax loss margin of (45%) to a pre tax profit margin of 36% is in tandem with the increase in revenue.
- iii) No taxation was provided for in 2001 as the Company incurred a loss. The effective tax rate was lower than the statutory tax rate in 2002 due to the utilisation of unabsorbed capital allowances and business losses brought forward amounting to RM19,000 and RM118,000 respectively.



11. ACCOUNTANTS' REPORT *(Cont'd)*

## 2.4.2 Summarised balance sheets

	As at 31 December 2001 RM'000	As at 30 June 2002 RM'000
Plant and equipment	20	18
Investment in subsidiary	-	13,500
Current assets	57	1,342
Less: Current liabilities	(210)	(6,916)
Net current liabilities	(153)	(5,574)
	(133)	7,944
<b>(Represented)/Financed by :-</b>		
Share capital	10	1,185
Share premium	-	6,565
(Accumulated loss)/Retained profits	(143)	194
(Deficit)/Surplus in shareholders' funds	(133)	7,944
Number of ordinary shares in issue at year end ('000)	10	1,185
Net tangible (liabilities) ("NTL")/asset ("NTA"); (RM'000)	(133)	7,944
NTL/NTA per ordinary share (RM)	(13.3)	6.7

**11. ACCOUNTANTS' REPORT (Cont'd)****2.5 Xennet****Historical performance**

The following financial information of Xennet was extracted from the audited financial statements of Xennet for the financial period from 28 July 2000, date of incorporation to 31 December 2001 and the six (6) month financial period ended 30 June 2002. The financial statements of the Company are stated in Singapore Dollars (SGD) and these amounts have been converted into Ringgit Malaysia at the foreign exchange rates ruling at 30 June 2002 at SGD1 = RM2.15 for the purpose of this report. The commentaries for the relevant periods under review were obtained based on enquiries of management and representations made by the Directors.

**2.5.1 Summary of results**

	<b>Period from 28 July 2000 to 31 December 2001 RM'000</b>	<b>Six (6) month ended 30 June 2002 RM'000</b>
Revenue	601	884
Profit before amortisation and interest	98	448
Amortisation	(175)	(149)
Interest expense	-	-
(Loss)/Profit before taxation	(77)	299
Taxation	-	(85)
(Loss)/Profit after taxation	(77)	214
Number of ordinary shares of SGD1.00 each in issue	110	273
Weighted average number of ordinary shares of SGD1.00 each in issue	110	150
Net (loss)/earnings per share (RM')	(0.7)	2.8#

# Annualised

**Notes:**

- i) Revenue from Xennet comprises mainly sale and the implementation of the Spectrum suite of software for the Singaporean market. The revenue recognised is based on progress billings according to the percentage of work completed.

In 2001, Xennet had only one customer in Singapore.

The revenue in 2002 comprises mainly billings pertaining to a new project undertaken for a financial institution during the period, as well as variation order billings made to the Spectrum e-Manager software project for its user training and installation of the insurance module.

**11. ACCOUNTANTS' REPORT (Cont'd)**

- ii) In 2001, given the high start up costs incurred, the Company incurred a loss. The increase in pre-tax profit margin in 2002 to 34% from a pretax loss of (13%) is in tandem with the increase in revenue.
- iii) In 2001, no income tax provision was made in the financial statements as the Company was in a loss position.
- iv) The effective tax rate in 2002 was higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes.

**2.5.2 Summarised balance sheets**

	<b>As at 31 December 2001 RM'000</b>	<b>As at 30 June 2002 RM'000</b>
Plant and equipment	2	2
Investment in subsidiary	516	516
Software development expenditure	342	421
Intangible assets	269	209
<b>Current assets</b>	<b>85</b>	<b>566</b>
<b>Less: Current liabilities</b>	<b>(571)</b>	<b>(510)</b>
<b>Net current (liabilities)/assets</b>	<b>(486)</b>	<b>56</b>
	<b>643</b>	<b>1,204</b>
<b>Financed by :-</b>		
Share capital	240	587
Share premium	480	480
(Accumulated loss)/Retained profits	(77)	137
<b>Shareholders' funds</b>	<b>643</b>	<b>1,204</b>
Deferred taxation	-	*
	<b>643</b>	<b>1,204</b>
<b>Number of ordinary shares of SGD1.00 in issue at year end ('000)</b>	<b>110</b>	<b>273</b>
<b>NTA (RM'000)</b>	<b>32</b>	<b>574</b>
<b>NTA per ordinary share (RM)</b>	<b>0.3</b>	<b>2.1</b>
* <i>RM430</i>		

**11. ACCOUNTANTS' REPORT (Cont'd)****2.6 SXS****Historical performance**

The following financial information of SXS was extracted from the audited financial statements of SXS for the financial period from 30 November 1999, date of incorporation to 31 December 2000, financial year ended 31 December 2001 and for the six (6) month financial period ended 30 June 2002. The commentaries for the relevant periods/year under review were obtained based on enquiries of management and representation made by the Directors.

**2.6.1 Summary of results**

	Period from 30 November 1999 to 31 December 2000 RM'000	Year ended 31 December 2001 RM'000	Six (6) month ended 30 June 2002 RM'000
Revenue	931	1,481	934
(Loss)/Profit before amortisation, depreciation and interest	(74)	155	383
Interest income	2	-	-
Amortisation	-	(139)	(85)
Depreciation	(58)	(133)	(67)
Interest expense	(3)	(24)	(14)
(Loss)/Profit before taxation	(133)	(141)	217
Taxation	-	-	-
(Loss)/Profit after taxation	(133)	(141)	217
Number of ordinary shares of RM1.00 each in issue ('000)	500	500	500
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	500	500	500
Net (loss)/earnings per share (RM)	(0.3)	(0.3)	0.8#

# Annualised

Notes:

- i) The company was incorporated on 30 November 1999 as Xen.com Sdn Bhd and subsequently changed to its present name on 13 December 2002.
- ii) Revenue is derived mainly from sale and implementation of the Spectrum Software Suite for the Malaysian market. The Spectrum Software Suite is a financial planning and distribution management tool developed by SXS.

The revenue recognised is based on progress billings according to the percentage of work completed.

11. ACCOUNTANTS' REPORT *(Cont'd)*

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In 2001, increase in revenue was mainly due to sales of intellectual property and recharges of expenses to Xennet. The sales of intellectual property amounted to SGD167,000 (RM350,000) relating to the assignment of copyright to Xennet for its Spectrum e-Advisor (Singapore Version) and Spectrum e-Manager (Singapore Version).

Also in 2001, RM651,000 of project development costs and software development costs were billed to Xennet. Xennet does not have any employees. Project and software development work is carried out by its former subsidiary, SXS. All expenses incurred by SXS in servicing Xennet's project were recharged to Xennet. In addition, SXS secured two new projects in 2001.

The increase in revenue in 2002 was mainly due to additional billings rendered to the customer in relation to the sales in 2001 and billings for a new project amounting to RM211,000 which was completed during the financial year.

iii) In 2000 and 2001, the Company had incurred losses given the high start up costs incurred.

In 2002, improvement in pre-tax profit margin to 23% from a pre-tax loss margin of 10% was in tandem with the increase in revenue. A reversal of accrued expenses recognised in previous year amounting RM210,000 further contributed to the profit. This accrued expenses relate to the provision of manpower and network rental to the Company whereby the management claimed that the supplier had failed to deliver its services.

To date, no claims have yet been made by the supplier and the former shareholders of the Company have confirmed that should there be any claims made by the supplier, they will assume the debt on behalf of the Company.

iv) No income tax provision has been made in the financial statements as the Company enjoys an income tax free period of up to ten years as a result of being awarded MSC status.

## 11. ACCOUNTANTS' REPORT (Cont'd)



## 2.6.2 Summarised balance sheets

	<--As at 31 December-->		As at 30 June
	2000 RM'000	2001 RM'000	2002 RM'000
Plant and equipment	541	416	352
Software development expenditure	-	331	317
Current assets	478	631	574
Less: Current liabilities	(378)	(969)	(663)
Net current assets/(liabilities)	100	(338)	(89)
	641	409	580
Financed by :-			
Share capital	500	500	500
Accumulated loss	(133)	(274)	(57)
Shareholders' funds	367	226	443
Long term liability	274	183	137
	641	409	580
Number of ordinary shares in issue at year end ('000)	500	500	500
NTA/(NTL) (RM'000)	367	(105)	126
NTA/(NTL) per ordinary share (RM)	0.7	(0.2)	0.2

## 11. ACCOUNTANTS' REPORT (Cont'd)



## 2.7 Signet

## Historical performance

The following financial information of Signet was extracted from the audited financial statements of Signet for the financial years ended 31 December 1997 to 2001 and for the six (6) month financial period ended 30 June 2002. The commentaries for the relevant years/period under review were obtained based on enquiries of management and representation made by the Directors.

## 2.7.1 Summary of results

	< ----- Year ended 31 December ----- >					Six (6) month ended 30 June 2002 RM'000
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	
Revenue	12,167	9,004	11,137	11,845	9,751	4,337
Profit before depreciation and interest	7,441	2,227	5,311	4,234	3,248	1,598
Depreciation	-	(57)	(38)	(84)	(129)	(101)
Interest expense	-	-	-	(2)	(13)	(8)
Profit before taxation	7,441	2,170	5,273	4,148	3,106	1,489
Taxation	(2,088)	(607)	-	(1,492)	(890)	(497)
Net profit for the year	5,353	1,563	5,273	2,656	2,216	992
Number of ordinary shares in issue at year end ('000)	^	10	10	10	100	100
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	5	10	10	10	70	100
Net earnings per share (RM)	1,070	156	527	266	32	20#

^ Represents 2 shares of RM1 each

# Annualised

## Notes:

- i) Signet is engaged in providing corporate secretarial, accounting and payroll services. It also provided share registration services until 30 June 2000. From 1 July 2000, the share registration services were transferred to SSRS and this has resulted in a decrease in revenue in 2001.

Signet's clients for its secretarial, accountancy and payroll services are mainly foreign owned private companies, public listed companies and certain large private companies. As such, revenue for such services is dependent on the economic climate. The past five years' revenue is reflective of this trend. After the Asian Economic crisis in 1997, Signet's revenue had decreased by 26% in 1998 compared to 1997. Increase in revenue in 1999 was in tandem with the recovery in the economy.

11. ACCOUNTANTS' REPORT (Cont'd)



In 2002, turnover decreased mainly due to reversal of work in progress amounting to RM365,000. The work in progress relates to time costs incurred that had yet to be billed to customers. As represented by management, the RM365,000 was in relation to an outstanding project in Kuching which had been written off as it was deemed to be not billable.

- ii) The decrease in pre-tax margin in 1998 from 61% to 24% was mainly due to increase in allowance for doubtful debts by RM897,000 coupled with a decrease in revenue due to the economic crisis at that time. In addition, rental expense increased by RM521,000 or 97%. No rental agreement was available for verification. The management was not able to explain the increase in rental expense.

In 1999, pre-tax margin increased by 96% from 24% to 47% due to the decrease in rental expenses by RM283,000 or 27% and increase in revenue by 24%.

The transfer of its share registration business to SSRS in July 2000 had resulted in the decrease in pre-tax margin in 2000 and 2001 to 35% and 32% respectively. In addition, in 2000, increase in allowance for doubtful debts by 647,000 or 70% also resulted in the decrease in pre-tax margin for 2000.

In 2001, the decrease in revenue of 18% affected the pre-tax margin. This was mitigated by the decrease in allowance for doubtful debts by RM1,223,000 or 78% as collection improved during that year.

Despite the decrease in revenue in 2002, pre-tax margin was higher at 34% mainly due to write back of allowances for doubtful debts amounting to RM305,000.

- iii) No taxation was provided for in 1999 as all income, except for dividend income, was waived from tax pursuant to the Income Tax (Amendment) Act, 1999.



## 11. ACCOUNTANTS' REPORT (Cont'd)



## 2.7.2 Summarised balance sheets

	< ----- As at 31 December ----- >					As at
	1997	1998	1999	2000	2001	30 June 2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Plant and equipment	-	121	203	292	360	283
Investments	-	-	-	158	158	100
Current assets	54,791	57,127	61,172	63,715	33,099	4,212
Less: Current liabilities	(34,266)	(35,161)	(34,015)	(34,085)	(33,232)	(4,182)
Net current assets/(liabilities)	20,525	21,966	27,157	29,630	(133)	30
	20,525	22,087	27,360	30,080	385	413
Financed by :-						
Share capital	10	10	10	10	100	100
Retained profits	20,515	22,077	27,350	30,006	172	264
Shareholders' funds	20,525	22,087	27,360	30,016	272	364
Long term liabilities	-	-	-	64	113	49
	20,525	22,087	27,360	30,080	385	413
Number of ordinary shares in issue at year end ('000)	10	10	10	10	100	100
NTA (RM'000)	20,525	22,087	27,360	30,016	272	364
NTA per ordinary share (RM)	2,052.5	2,208.7	2,736.0	3,001.6	2.7	3.6

**11. ACCOUNTANTS' REPORT (Cont'd)****2.8 SNSB****Historical performance**

The following financial information of SNSB was extracted from the audited financial statements of SNSB for the financial years ended 30 June 1997 to 2002. The commentaries for the relevant years/period under review were obtained based on enquiries of management and representations made by the Directors.

**2.8.1 Summary of results**

	<----- Year ended 30 June ----->					
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	36	42	^	92	5	2
Profit before depreciation and interest	36	41	(1)	91	4	(21)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Profit/(loss) before taxation	36	41	(1)	91	4	(21)
Taxation	(10)	(12)	(2)	(26)	(1)	2
Profit/(loss) after taxation	26	29	(3)	65	3	(19)
Number of ordinary shares in issue at year end	2	2	2	2	2	2
Weighted average number of ordinary shares of RM1.00 each in issue	2	2	2	2	2	2
Net earnings/(loss) per share (RM)	12,500	14,500	(1,500)	33,000	1,500	(9,400)

^ RM81

**Notes:**

- i) The Company has remained inactive for the past six years with minimal revenue. Revenue is mainly in respect of dividend received and stakeholders' fees.

## 11. ACCOUNTANTS' REPORT (Cont'd)



## 2.8.2 Summarised balance sheets

	< ----- As at 30 June ----- >					
	1997	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investment in an associated company	-	-	-	-	-	100
Current assets	45	86	81	172	155	52
Less: Current liabilities	(13)	(25)	(23)	(48)	(28)	(44)
Net current assets	32	61	58	124	127	8
	32	61	58	124	127	108
Financed by :-						
Share capital	*	*	*	*	*	*
Retained profits	32	61	58	124	127	108
Shareholders' funds	32	61	58	124	127	108
Number of ordinary shares in issue at year end ('000)	**	**	**	**	**	**
NTA (RM'000)	32	61	58	124	127	108
NTA per ordinary share (RM)	16,000	30,500	29,000	62,000	63,500	53,800

\* RM2

\*\* 2

Subsequent to 30 June 2002, the paid-up capital of SNSB was increased from 2 ordinary shares of RM1.00 each to 25,000 ordinary shares of RM1.00 each via a bonus issue of 24,998 new ordinary shares of RM1.00 each on the basis of 12,499 new ordinary shares of RM1.00 each for every existing shares held by way of capitalisation of RM24,998 from retained profits.

**11. ACCOUNTANTS' REPORT (Cont'd)****2.9 SSRS****Historical performance**

The following financial information of SSRS was extracted from the audited financial statements of SSRS for the period from 25 February 2000, date of incorporation to 31 December 2000, the financial year ended 31 December 2001 and for the six (6) month financial period ended 30 June 2002. The commentaries for the relevant periods/year under review were obtained based on enquiries of management and representations made by the Directors.

**2.9.1 Summary of results**

	<b>25 February 2000 to 31 December 2000 RM'000</b>	<b>Year ended 31 December 2001 RM'000</b>	<b>Six (6) month ended 30 June 2002 RM'000</b>
Revenue	1,965	4,017	1,690
Profit before depreciation and interest	1,133	2,259	803
Depreciation	-	(4)	(2)
Interest expense	-	-	-
Profit before taxation	1,133	2,255	801
Taxation	(317)	(630)	(288)
Net profit for the period/year	816	1,625	513
Number of ordinary shares in issue at year end ('000)	*	*	1
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	*	*	^
Net earnings per share (RM'000)	407.5	812.5	4.0 #

\* represents 2 ordinary shares of RM1 each

^ represents 261 ordinary shares of RM1 each

# Annualised

**Notes:**

- i) SSRS provides share registration services. Revenue is derived mainly from retainer fee charged for maintaining various share registers. Additional fees are charged for recurring services such as payment of dividend, dispatch of notices to shareholders including annual reports and circulars. SSRS also charges fees for non-recurring services such as processing the registration of shares arising from bonus and rights issues of shares.

SSRS only commenced operations on 1 July 2000 pursuant to the transfer of Signet's share registration business to SSRS.

The revenue growth in 2001 reflected a full year of operations as compared to 2000. The revenue of SSRS is dependent on the general economy of Malaysia. Revenue was rather flat for the period from 2000 to 2001 given the soft market conditions where the appetite for capital raising exercises on the KLSE was at best neutral.

## 11. ACCOUNTANTS' REPORT (Cont'd)



However, revenue in 2002 had decreased mainly due to deferment of various corporate fund raising exercises in the market as a result of the uncertain global markets which has in turn impacted current market conditions.

- ii) The decrease in pre-tax profit margin in 2002 from 56% to 47% was in tandem with the decrease in revenue.

## 2.9.2 Summarised balance sheets

	< ----As at 31 December --- >		As at 30 June
	2000	2001	2002
	RM'000	RM'000	RM'000
Plant and equipment	-	15	17
Investment in an associated company	-	-	50
Current assets	1,514	3,128	1,279
Less: Current liabilities	(699)	(3,110)	(800)
Net current assets	815	18	479
	815	33	546
Financed by :-			
Share capital	*	*	1
Retained profits	815	33	545
	815	33	546
Number of ordinary shares in issue at year end	2	2	1,000
NTA (RM'000)	815	33	546
NTA per ordinary share (RM'000)	407.5	16.5	0.5

\* represents 2 ordinary shares of RM1 each

Subsequent to 30 June 2002, the paid-up capital of SSRS was increased from 1,000 ordinary shares of RM1.00 each to 100,000 ordinary shares of RM1.00 each via a bonus issue of 99,000 new ordinary shares of RM1.00 each on the basis of 99 new ordinary shares of RM1.00 each for every existing shares held by way of capitalisation of RM99,000 from retained profits.

## 11. ACCOUNTANTS' REPORT (Cont'd)



## 3 Proforma statement of assets and liabilities

The following proforma statement of assets and liabilities of the SHB Group and of the Company which is prepared solely for illustrative purposes is based on the proforma financial statements of SHB and the audited financial statements of its subsidiaries as at 30 June 2002 and on the assumption that the scheme of the SHB Group as stated in Section 1.3, and the public issue and utilisation of proceeds had been effected on 30 June 2002. The proforma statement of assets and liabilities are to be read in conjunction with the notes thereto.

	Note	Proforma Group RM'000	Proforma Company RM'000
Plant and equipment	3.1.2	673	-
Investment in subsidiaries	3.1.3	-	36,516
Investment in an associate	3.1.4	250	-
Intangible assets	3.1.5	28,845	-
<b>Current assets</b>			
Trade and other receivables	3.1.6	6,405	-
Work in progress		206	-
Tax recoverable		161	-
Cash and cash equivalents	3.1.7	22,678	21,625
		-----	-----
		29,450	21,625
		-----	-----
<b>Current liabilities</b>			
Trade and other payables	3.1.8	(11,566)	(12,016)
Borrowings	3.1.9	(227)	-
Taxation		(214)	-
Dividend payable to former shareholders of a subsidiary		(900)	-
		-----	-----
<b>Net current assets</b>		16,543	9,609
		-----	-----
		46,311	46,125
		=====	=====
<b>Financed by:-</b>			
Share capital	3.1.10	28,000	28,000
Share premium	3.1.11	18,125	18,125
Reserves		-	-
		-----	-----
<b>Shareholders' funds</b>		46,125	46,125
<b>Borrowings</b>	3.1.9	186	-
		-----	-----
		46,311	46,125
		=====	=====

**11. ACCOUNTANTS' REPORT** *(Cont'd)***3.1 Notes to the statement of assets and liabilities****3.1.1 Summary of significant accounting policies**

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

**i) Basis of accounting**

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

**ii) Basis of consolidation**

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

**iii) Investment in associate**

Associate is an enterprise in which the Group has significant influence, but not control, over the financial and operating policies. Investment in associate is stated at cost in the Group's financial statements. An allowance is made when the Directors are of the view that the diminution in value of the investments is other than temporary.

**iv) Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment loss.

The carrying amounts of plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of plant and equipment exceeds its recoverable amount. In determining the recoverable amount of plant and equipment, expected future cash flows are discounted to their present values.

## 11. ACCOUNTANTS' REPORT (Cont'd)



The impairment loss is charged to the income statement, unless it reverses a previous revaluation in which case it is charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

### v) Depreciation

The straight-line method is used to write off the cost of the following assets over the term of their estimated useful lives at the following principal annual rates:

Air conditioner	20%
Computer equipment	20% - 33.33%
Electrical installation	20%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Office equipment	10% - 33.3%
Renovation	10%
Software development tools	30%

### vi) Intangible assets

#### *Goodwill*

Goodwill represents the excess of the cost of acquisition (as per Section 1.3) over the fair values of the net identifiable assets acquired and is stated at cost less accumulated impairment losses.

#### *Software development expenditure*

Software development expenditure relates to development work carried out in developing specialised software packages. Cost includes direct costs such as salaries and hardware costs specifically attributable to each project.

Costs incurred in software development which are not or have ceased to be commercially viable, are written off immediately. Software development expenditure is amortised over a period of three years.

### vii) Finance leases

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

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



## 11. ACCOUNTANTS' REPORT *(Cont'd)*



### viii) Assets under hire purchase

Plant and equipment acquired under hire purchase arrangements are capitalised at their purchase costs and are depreciated on the same basis as owned assets. The corresponding obligations relating to the remaining capital payments are treated as a liability. Finance charges are charged to the income statement over the period of the hire purchase on the straight-line method.

### ix) Investments

Long term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Current unquoted investments are stated at cost while current quoted investments are stated at the lower of cost and market value on an individual investment basis.

### x) Work-in-progress

Work-in-progress is stated at the lower of cost and net realisable value. Cost is calculated based on time cost incurred at standard costing rates.

### xi) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

### xii) Cash and cash equivalents

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

### xiii) Foreign currency transactions

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

The closing rate used in the translation of foreign currency assets and liabilities is approximately:-

SGD1 : RM2.15

### xiv) Taxation

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

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

**11. ACCOUNTANTS' REPORT** (Cont'd)**3.1.2 Plant and equipment**

	Cost RM'000	Accumulated Depreciation RM'000	Net book value RM'000
<b>Proforma Group</b>			
Office equipment	686	344	342
Furniture & fittings	59	23	36
Air-conditioner	9	8	1
Electrical installation	21	19	2
Computer equipment	243	137	106
Motor vehicle	202	71	131
Software development tools	43	23	20
Renovation	45	10	35
	1,308	635	673
	1,308	635	673

*Assets under hire purchase and leases*

Included in plant and equipment of the Group are the following assets acquired under hire purchase and lease arrangements:-

	<b>Proforma Group RM'000</b>
<i>Cost</i>	
Office equipment	187
Computer equipment	213
Motor vehicles	201
	601
	601

**3.1.3 Investment in subsidiaries**

	<b>Proforma Company RM'000</b>
Unquoted shares, at cost	36,516
	36,516

**3.1.4 Investment in associate**

	<b>Proforma Group RM'000</b>
Unquoted shares, at cost	250
	250

## 11. ACCOUNTANTS' REPORT (Cont'd)



## 3.1.5 Intangible assets

	Goodwill RM'000	Software Development Expenditure RM'000	Total RM'000
<b>Proforma Group</b>			
<i>Cost</i>	26,314	930	27,244
Utilisation of listing proceeds	-	2,000	2,000
Closing balance	26,314	2,930	29,244
<i>Less Amortisation and impairment losses</i>	-	(399)	(399)
<i>Net book value</i> At 30 June 2002	26,314	2,531	28,845

## 3.1.6 Trade and other receivables

	<b>Proforma Group RM'000</b>
Trade receivables	9,865
Less: Allowance for doubtful debts	(4,492)
	<u>5,373</u>
Amount due from contract customer	29
Amount due from related company of Directors in a subsidiary	3
Amount due from shareholder (Director related company)	307
Other receivables, deposits and prepayments	693
	<u>6,405</u>

The amount due from related company of Directors in a subsidiary is unsecured, interest free and has no fixed terms of repayment.

The amount due from shareholder (Director related company) is unsecured, interest free and has no fixed terms of repayment. This amount was repaid subsequent to 30 June 2002.

*Amount due from contract customer*

	<b>Proforma Group RM'000</b>
Aggregate cost incurred to date	595
Add: Attributable profits	872
	<u>1,467</u>
Less: Progress billings	(1,438)
	<u>29</u>

**11. ACCOUNTANTS' REPORT (Cont'd)****3.1.7 Cash and cash equivalents**

	<b>Proforma Group RM'000</b>	<b>Proforma Company RM'000</b>
Cash and bank balances	22,663	21,625
Fixed deposits with a licensed bank (secured)	15	-
	<u>22,678</u>	<u>21,625</u>
	<u>=====</u>	<u>=====</u>

Fixed deposits with a licensed bank have been pledged to the bank for an issuance of Bank Guarantees and Performance Bonds granted to a subsidiary.

**3.1.8 Trade and other payables**

	<b>Proforma Group RM'000</b>	<b>Proforma Company RM'000</b>
Trade payables	661	-
Amount due to former shareholders of Xennet	6,075	-
Other payables and accrued expenses	4,826	-
Amount due to related company of Directors in a subsidiary	3	-
Amount due to Directors	1	-
Amount due to subsidiaries	-	12,016
	<u>11,566</u>	<u>12,016</u>
	<u>=====</u>	<u>=====</u>

Amount due to former shareholders of Xennet is unsecured, interest free and repayable within nine (9) months from signing of the Sales & Purchase agreement on 21 May 2002. This amount was settled in December 2002.

Included in other payables is an amount owing to Global Innovative Management Partners-ACT Sdn Bhd, a former corporate shareholder of a subsidiary amounting to RM674,461.

The amount due to related company of Directors in a subsidiary is unsecured, interest free and has no fixed terms of repayment.

Amount due to Directors are unsecured, interest free and has no fixed terms of repayments.

## 11. ACCOUNTANTS' REPORT (Cont'd)



## 3.1.9 Borrowings

	Proforma Group RM'000
Current:	
Finance lease liabilities	200
Hire purchase liabilities	27
	227
Non-current:	
Finance lease liabilities	78
Hire purchase liabilities	108
	186
	413
	=====

*Finance lease liabilities*

	Payments RM'000	Interest RM'000	Principal RM'000
Less than one year	219	19	200
Between one and five years	89	11	78
	308	30	278
	=====	=====	=====

*Hire purchase liabilities*

	Payments RM'000	Interest RM'000	Principal RM'000
Less than one year	37	10	27
Between one and five years	150	42	108
	187	52	135
	=====	=====	=====

Finance lease liabilities are subject to fixed interest rates ranging from 2.78% to 5.5% per annum.

Hire purchase liabilities are subject to fixed interest rates of 5.35% per annum.

**11. ACCOUNTANTS' REPORT** (Cont'd)**3.1.10 Share capital**

	<b>Proforma Group and Proforma Company RM'000</b>
Ordinary shares of RM0.10 each:	
Authorised	50,000
	=====
Issued and fully paid	
As at date of incorporation	*
109,999,980 new ordinary shares at an issue price of RM0.10 per ordinary share for the acquisition of the entire issued and paid up capital of SGT.	11,000
115,000,000 new ordinary shares at an issue price of RM0.10 per ordinary share for the acquisition of the entire issued and paid up capital of Signet, SSRS and SNSB.	11,500
Private placement of 25,000,000 new ordinary shares at an issue price of RM0.425	2,500
Public issue of 30,000,000 new ordinary shares at an issue price of RM0.50 per ordinary share.	3,000
	-----
	28,000
	=====
* RM2.00	

**3.1.11 Share premium**

	<b>Proforma Group and Proforma Company RM'000</b>
Private placement of 25,000,000 new ordinary shares at an issue price of RM0.425 per ordinary share.	8,125
Public issue of 30,000,000 new ordinary shares at an issue price of RM0.50 per ordinary share.	12,000
Less: Estimated listing expenses	(2,000)
	-----
	18,125
	=====

## 11. ACCOUNTANTS' REPORT (Cont'd)



## 3.1.12 Proforma consolidated cash flow statement

The proforma consolidated cash flow statement of the Group and of the Company, prepared for illustrative purpose is based on the proforma financial statements of SHB and the audited financial statements of its subsidiaries for the six (6) month period ended 30 June 2002 and on the assumption that the Group has been in existence throughout the six (6) month period ended 30 June 2002, and that the scheme of the SHB Group as stated in Section 1.3, public issue and utilisation of proceeds had been effected on 30 June 2002.

	Proforma Group RM'000	Proforma Company RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	2,996	-
Adjustments for:		-
Depreciation	174	-
Amortisation of intangible assets	234	-
Interest expense	22	-
	-----	-----
Operating profit before working capital changes	3,426	-
Changes in working capital:		-
Trade and other receivables	28,745	-
Trade and other payables	2,720	12,016
Work-in-progress	365	-
	-----	-----
Cash generated from operations	35,256	12,016
Income tax paid	(1,307)	-
Interest paid	(8)	-
	-----	-----
Net cash generated from operating activities	33,941	12,016
	-----	-----
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(33)	-
Acquisition of subsidiaries	(675)	(14,016)
Acquisition of an associate	(250)	-
Capitalised software development expenditure	(2,022)	-
Purchase of intangible assets	(10)	-
Proceeds from disposal of investment	157	-
	-----	-----
Net cash used in investing activities	(2,833)	(14,016)
	-----	-----

**11. ACCOUNTANTS' REPORT (Cont'd)**

	<b>Proforma Group RM'000</b>	<b>Proforma Company RM'000</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	26,963	25,625
Interest paid	(14)	-
Payment of hire purchase and finance lease liabilities	(123)	-
Dividend paid to former shareholders of certain subsidiaries	(34,458)	-
Estimated listing expenses	(2,000)	(2,000)
	-----	-----
Net cash (used in)/generated from financing activities	(9,632)	23,625
	-----	-----
<b>Net increase in cash and cash equivalents</b>	21,476	21,625
<b>Cash and cash equivalents at beginning of period</b>	1,187	*
	-----	-----
<b>Cash and cash equivalents at end of period (i)</b>	22,663	21,625
	=====	=====

\* RM2.00

Notes:

## i) Cash and cash equivalents

Cash and cash equivalents included in the proforma consolidated cash flow statements comprise the following balance sheet amounts:

	<b>Proforma Group RM'000</b>	<b>Proforma Company RM'000</b>
Cash and bank balances	22,663	21,625
	=====	=====

**3.1.13 Proforma NTA cover**

Based on the statement of assets and liabilities of the proforma SHB Group as at 30 June 2002, the NTA cover per share is calculated as follows:

	<b>Proforma Group</b>
NTA per statement of assets and liabilities of the proforma SHB Group as at 30 June 2002 (RM'000)	17,280
	=====
Number of ordinary shares of RM0.10 each assumed in issue ('000)	280,000
	=====
Proforma NTA cover per share of RM0.10 each (sen)	6.2
	=====



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11. ACCOUNTANTS' REPORT *(Cont'd)*

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**3.1.14 Events subsequent to balance sheet date of 30 June 2002**


Based on the audited financial statements for the period ended 30 June 2002, and other than the completion of the scheme as referred to in Section 1.3 and the disposal of Signet's Kuching operations to Signet Malaya & Co. for a total consideration of RM1 on 1 July 2002, no events have arisen subsequent to the balance sheet date which require disclosure in this report.

**3.1.15 Audited financial statements**

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2002.

Yours faithfully

  
**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

  
**Lim Hun Soon @ David Lim**  
Partner  
Approval Number: 1514/05/04(J)

## 12. DIRECTORS' REPORT

*(Prepared for the inclusion in this Prospectus)*

**Registered Office :**

10<sup>th</sup> Floor, Tower Block  
Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur

23 December 2002

The Shareholders  
Symphony House Bhd

Dear Sir/ Madam,

On behalf of the Board of Directors of Symphony House Bhd ("SHB"), I report that no audited accounts as at 30 June 2002 have been made for SHB as the company was only incorporated on 16 September 2002 as a private limited company with the issued and paid up share capital of RM2.00 comprising 20 ordinary shares of RM0.10 each. The audited accounts of the other subsidiaries of SHB have been made up to 30 June 2002.

After due enquiry, I report that during the period from 30 June 2002 (being the date to which the last audited accounts of the subsidiaries of SHB have been made) to 23 December 2002 (being a date not earlier than 14 days before the issuance of this Prospectus):

- (i) the business of the SHB and its subsidiaries ("Group"), in the opinion of the Directors, has been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the subsidiaries of SHB which have adversely affected the trading or the 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) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group; and
- (v) save as disclosed in this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profits of the Group, since the last audited accounts of the subsidiaries of SHB.

Yours faithfully  
For and on behalf of the Board of Directors  
Symphony House Bhd



Dato' Mohamed Azman bin Yahya  
Director