

11. ACCOUNTANTS' REPORT



ACCOUNTANTS' REPORT (Prepared for inclusion in this Prospectus)

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2 February 2005

The Board of Directors
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Dear Sirs

1. INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus to be dated 15 February 2005 in connection with the Public Issue of 93,660,000 new ordinary shares of RM0.25 each in Evergreen Fibreboard Berhad ("hereinafter referred to as "EFB" or "the Company") at an issue price of RM1.14 per ordinary share and the listing of and quotation for the entire issued and fully paid-up share capital of EFB on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

This report is prepared based on the accounting policies consistent with those previously adopted in the preparation of the audited financial statements of EFB and its subsidiaries and associate company and comply with applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board ("MASB").

2. FLOTATION SCHEME

In conjunction with the listing and flotation of the entire issued and paid-up share capital of EFB on the Main Board of Bursa Securities, the Company undertook the following restructuring exercise :

(i) Offer for Sale

Offer for sale at an offer price of RM1.14 per ordinary share by way of placement to the following parties:

- 71,500,000 new EFB shares to Bumiputra parties approved by the Ministry of International Trade and Industry ("MITI");
- 41,500,000 new EFB shares to places identified by the Placement Agent.

11. ACCOUNTANTS' REPORT (Cont'd)



(ii) Public Offer

Public issue of 93,660,000 new EFB shares of RM0.25 each at an issue price of RM1.14 per new EFB share to be allocated in the following manner :

- 24,000,000 new EFB shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, societies, co-operatives and institutions.
- 6,000,000 new EFB shares will be made available for application by eligible directors and employees of the Group.
- 10,660,000 new EFB shares to places identified by Placement Agent.
- 53,000,000 new EFB shares by way of placement to Bumiputra parties approved by MITI.

(iii) Listing

The listing of, and the quotation for, the entire issued and paid-up share capital of EFB on the Main Board of Bursa Securities.

3. GENERAL INFORMATION

3.1 Background

EFB was incorporated as a private limited company in Malaysia on 15 May 1991 under the Companies Act, 1965 as Tat Wee Industries (M) Sdn. Bhd. EFB changed its name to Evergreen Fibreboard Sdn. Bhd. on 8 December 1992. On 14 April 2004, EFB was converted into a public limited liability company and accordingly, assumed its present name.

The principal activities of EFB are the manufacturing of medium density fibreboard ("MDF"), knock-down wooden furniture and doors.

11. ACCOUNTANTS' REPORT (Cont'd)**3.2 Share Capital**

The authorised share capital of EFB is RM300,000,000 comprising 1,200,000,000 ordinary shares of RM0.25 each.

The present issued and fully paid-up share capital of EFB is RM96,585,000 comprising 386,340,000 ordinary shares of RM0.25 each.

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

Date of creation	No. of shares created	Par value RM	Consideration	Cumulative Issued and Paid-Up Share Capital RM
20.05.1991	4	1.00	Subscribers' Shares	4
04.05.1992	175,946	1.00	Cash	175,950
03.07.1992	12,214,140	1.00	Cash	12,390,090
22.07.1992	1,392,311	1.00	Cash	13,782,401
19.08.1992	250,000	1.00	Cash	14,032,401
20.01.1993	5,939,799	1.00	Cash	19,972,200
20.01.1993	27,800	1.00	Otherwise than cash	20,000,000
13.05.1996	9,645,000	1.00	Bonus Issue	29,645,000
27.12.1999	355,000	1.00	Bonus Issue	30,000,000
21.09.2001	5,072,511	1.00	Otherwise than cash	35,072,511
29.10.2003	190,000	1.00	Otherwise than cash	35,262,511
31.10.2003	1,184,560	1.00	Otherwise than cash	36,447,071
19.11.2004	145,788,284	0.25	Share split	36,447,071
02.12.2004	240,551,716	0.25	Bonus issue	96,585,000

The issued and fully paid-up share capital of EFB will be increased to RM120,000,000 upon the completion of the public issue.

11. ACCOUNTANTS' REPORT (Cont'd)**3.3 Subsidiaries and associate company**

As of the date of this report, the subsidiaries and associate company of EFB, all of which are incorporated in Malaysia except for Siam Fibreboard Company Ltd ("SFCL"), which is incorporated in Thailand, are as follows:

Name	Date of incorporation	Authorised share capital '000	Issued and fully paid-up share capital '000	Effective interest %	Principal activities
<u>Subsidiary</u>					
Allgreen Timber Products Sdn Bhd ("ATPSB")	4 January 2002	RM10,000	RM8,000	100	Manufacture of particleboard and other related products
Evergreen Molded Panels Sdn Bhd ("EMPSB")	21 October 1994	RM5,000	RM2,000	100	Dormant
Evergreen Décor Products Sdn Bhd ("EDPSB")	22 July 1989	RM25,000	RM10,300	100	Dormant
SFCL	16 January 2004	Baht367,000	Baht367,000*	75	Manufacture of MDF
Reuntex Industries (M) Sdn. Bhd. ** ("RISB")	30 December 1989	RM10,000	RM500	99.99	Property holding
<u>Associate</u>					
Dawa Timber Industries (M) Sdn Bhd ("DTISB")	10 May 1977	RM2,000	RM600	44.66	Manufacture of fancy plywood

* Represented by :

Baht '000

Ordinary shares	330,300
Preference shares	36,700
	<u>367,000</u>

** This subsidiary is in the process of being wound up.

11. ACCOUNTANTS' REPORT (Cont'd)**4. AUDITORS AND AUDITED FINANCIAL STATEMENTS**

We have been the auditors of EFB and ATPSB for all the years under review. We have been the auditors of EMPSB and EDPSB since the financial years ended 31 December 2001. The financial statements of EMPSB and EDPSB prior to our appointment as auditors were audited by another firm of chartered accountants. The financial statements of SFCL were audited by our member firm in Thailand.

The financial statements of DTISB for the years/period under review were audited by another firm of chartered accountants.

The auditors' reports on the financial statements of the companies in the EFB Group for the relevant financial years/periods under review were not subject to any qualification and did not include any emphasis of matter.

5. DIVIDENDS

Except as detailed below, the EFB Group have not paid or declared dividends for the financial years/periods under review:

Company	Year/ Period ended	Issued and fully paid-up share capital	Gross dividend rate	Net dividend RM
EFB	31 December, 2001	35,072,511	28.51% tax exempt	10,000,000
	31 December 2003	36,447,071	137.19% tax exempt	50,000,000
DTISB	31 December 2003	600,000	300% tax exempt	1,800,000

11. ACCOUNTANTS' REPORT (Cont'd)**6. SUMMARISED CONSOLIDATED INCOME STATEMENTS**

We set out below the proforma consolidated financial results of EFB and its subsidiaries and associate company ("the EFB Group") for the five financial years ended 31 December 1999 to 2003 and ten months period ended 31 October 2004 which are provided for illustrative purposes only, assuming that the EFB Group had been in existence throughout the financial years/periods under review.

	<----- Financial year ended 31 December ----->					Period ended
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	123,144	143,267	191,287	228,944	250,746	314,580
Profit before depreciation, interest and taxation	38,282	37,251	46,079	62,859	35,799	72,318
Depreciation	(5,593)	(7,956)	(11,241)	(11,691)	(13,425)	(15,564)
Interest expense	(744)	(2,356)	(2,072)	(1,102)	(974)	(2,591)
Share of results of associate	1,717	1,273	507	251	201	827
Profit before taxation	33,662	28,212	33,273	50,317	21,601	54,990
Taxation	(4,019)	(6,885)	(286)	(1,448)	124	(10,768)
Profit after taxation	29,643	21,327	32,987	48,869	21,725	44,222
Minority interests	-	-	-	-	-	(4,524)
Profit after tax and minority interests	29,643	21,327	32,987	48,869	21,725	39,698
Number of ordinary shares assumed to be in issue ('000)	480,000	480,000	480,000	480,000	480,000	480,000
Gross earnings per share (RM)	0.07	0.06	0.07	0.10	0.05	0.11
Net earnings per share (RM)	0.06	0.04	0.07	0.10	0.05	0.08

- (1) The EFB Group proforma consolidated results have been prepared on a time-apportioned basis and comprise the results as shown in the audited financial statements of EFB and its subsidiaries and associate company for the following financial years/periods:
- (a) audited financial statements of ATPSB for the period ended 31 December 2002, year ended 31 December 2003 and period ended 31 October 2004;
 - (b) audited financial statements of EMPSB for the years ended 31 December 1999 to 2003 and period ended 31 October 2004;
 - (c) audited financial statements of EDPSB for the year ended 30 September 1999, period ended 31 December 2000, years ended 31 December 2001 to 2003 and period ended 31 October 2004;
 - (d) audited financial statements of DTISB for the years ended 30 April 1999 to 2003 and period ended 31 October 2004.
 - (e) audited financial statements of SFCL for the period from 16 January 2004 to 31 October 2004.

11. ACCOUNTANTS' REPORT (Cont'd)

The results of a subsidiary, RISB has not been consolidated as it is in the process of being wound up and the results have no material effect to the proforma consolidated financial results.

- (2) The proforma consolidated results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the individual companies.
- (3) There were no extraordinary or exceptional items for all the financial years/period under review.
- (4) The taxation has been adjusted to reallocate the underprovision to their respective financial years as follows:

	<----- Financial year ended 31 December ----->					Period ended 31 October
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited financial statements	593	1,366	(729)	364	(258)	11,131
Adjustments to reflect deferred taxation to the respective years*	3,413	5,373	945	1,084	134	(134)
Adjustments to reflect income tax expense in the respective years**	13	146	70	-	-	(229)
Adjusted income tax expense as stated in this report	<u>4,019</u>	<u>6,885</u>	<u>286</u>	<u>1,448</u>	<u>(124)</u>	<u>10,768</u>

* The deferred taxation has been reallocated to the respective financial years upon adoption of MASB 25 : Income Taxes which became effective for financial periods beginning on or after 1 July 2002 and supercedes IAS 12, Accounting for Taxes on Income. MASB 25 requires recognition of deferred tax liability or asset for all temporary differences, while IAS 12 permits an entity not to recognise deferred tax liability or subject to certain conditions, deferred tax asset, where there is reasonable evidence that the timing differences would not reverse in the foreseeable future.

** The adjustments relate to claims for reinvestment allowances by the associate company which were disallowed by the Inland Revenue Board.

The effective tax rates for the financial years ended 1999 to 2003 were lower than the statutory income tax rate as EFB had been granted pioneer status for the manufacture of MDF (from July 1993 to June 2003) and furniture and door line (from December 1997 to November 2002).

A subsidiary, SFCL, which was incorporated in Thailand on 16 January 2004, was granted tax privileges whereby the profits derived from manufacture of MDF are tax exempt. This has resulted in a lower effective tax rate for the financial period ended 31 October 2004.

- (5) Revenue increased significantly from financial year 2000 to 2002 due to expansion in production capacity arising from capital investment in year 2000 on a second production line by EFB to meet the demands from existing customers and to cater for expansion in customer base.

11. ACCOUNTANTS' REPORT (Cont'd)



- (6) Significant increase in profit before tax in financial year 2002 was mainly due to increase in customer base and selling prices and improvement in production efficiency.
- (7) Despite the increase in revenue in 2003, profit before tax for 2003 was lower due to :
 - (i) outbreak of SARS in China and Taiwan which affected demand from distributors and retailers in these countries who sells directly to customer based product manufacturers and consumers.
 - (ii) intensive price competition in the local and overseas market.
 - (iii) provision for impairment loss on goodwill arising from investment in EMPSB as EMPSB has ceased operations and became dormant.
 - (iv) a subsidiary, ATPSB commenced operations in the manufacturing of particleboards and incurred loss before tax of approximately RM9.4 million in its first year of operations.
- (8) Increase in revenue and profit before tax for the ten months period ended 31 October 2004 was mainly due to acquisition of SFCL during the financial period. Revenue and profit before tax contributed by SFCL amounted to RM67,240,437 and RM18,097,733 respectively.
- (9) The gross earnings per share is calculated based on the consolidated profit before taxation while the net earnings per share is calculated based on consolidated profit after taxation and minority interests over 480,000,000 ordinary shares of RM0.25 each assumed to be in issue.

11. ACCOUNTANTS' REPORT (Cont'd)**7. INCOME STATEMENTS****7.1 EFB**

The income statements of EFB based on the audited financial statements for the past five financial years ended 31 December 2003 and ten months period ended 31 October 2004 are as follows :

	<----- Financial year ended 31 December ----->					Period ended
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	90,009	115,208	191,287	228,944	242,164	217,127
Profit before depreciation, interest and taxation	30,875	33,099	48,086	64,730	47,811	47,131
Depreciation	(4,132)	(6,461)	(11,103)	(11,553)	(11,968)	(10,327)
Interest expenses	(507)	(2,211)	(2,072)	(1,102)	(574)	(910)
Profit before taxation and exceptional item	26,236	24,427	34,911	52,075	35,269	35,894
Exceptional item	-	-	(5,789)	-	-	-
Profit before taxation and prior year adjustments	26,236	24,427	29,122	52,075	35,269	35,894
Taxation	(3,413)	(5,680)	(1,295)	(1,529)	(2,340)	(10,319)
Profit after taxation and prior year adjustments	22,823	18,747	27,827	50,546	32,929	25,575
Weighted average number of ordinary shares in issue ('000)	30,000	30,000	35,073	35,073	36,447	36,447
Gross earnings per share (RM)	0.87	0.81	0.83	1.48	0.97	0.98
Net earnings per share (RM)	0.76	0.62	0.79	1.44	0.90	0.70

- (a) The exceptional item relates to provision for diminution in value of investments in EMPSB after the transfer of assets and liabilities from EMPSB to EFB.
- (b) Revenue increased from 1999 to 2003 as EFB strengthened its position in the market by increasing its product range and expanding its customer base. Significant increase was noted in financial year 2001 due to the following :
- (i) increase in production capacity due to capital investment on a second production line in July 2000. The second line was fully operational in year 2001.
 - (ii) transfer of operations from EMPSB and EDPSB.

11. ACCOUNTANTS' REPORT (Cont'd)

- (c) The increase in profit before tax from financial year 1999 to 2002 and financial period ended 2004 was mainly due to capital investment undertaken in year 2000 and implementation of continuous productivity enhancement programs which boosted output capacity, coupled with stringent cost control measures. Profit before tax for financial year 2003 decreased due to the outbreak of SARS in China and Taiwan which affected demand from distributors and retailers in these countries and intensive price competition in the local and overseas markets.
- (d) The taxation have been adjusted to reallocate the underprovision of deferred taxation to their respective financial years as follows:

	<----- Financial year ended 31 December ----->			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
As per audited financial statements	-	307	350	367
Adjustments to reflect deferred taxation in the respective years*	3,413	5,373	945	1,162
Adjusted income tax expense as stated in this report	3,413	5,680	1,295	1,529

- * The deferred taxation has been reallocated to the respective financial years upon adoption of MASB 25 : Income Taxes which became effective for financial periods beginning on or after 1 July 2002 and supersedes IAS 12, Accounting for Taxes on Income. MASB 25 requires recognition of deferred tax liability or asset for all temporary differences, while IAS 12 permits an entity not to recognise deferred tax liability or subject to certain conditions, deferred tax asset where there is reasonable evidence that the timing differences would not reverse in the foreseeable future.

The effective tax rates for the financial years ended 1999 to 2003 was lower than the statutory tax rate as EFB was granted pioneer status for the manufacture of MDF (from July 1993 to June 2003) and furniture and door line (from December 1997 to November 2002). Accordingly, income from these operations are not liable to income tax. However, interest received from fixed deposits are subject to income tax.

- (e) The gross earnings per share have been calculated based on the profit before taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/period.
- (f) The net earnings per share have been calculated based on the profit after taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/period.

11. ACCOUNTANTS' REPORT (Cont'd)**7.2 ATPSB**

The income statements of ATPSB based on the audited financial statements for the past two financial period/year ended 31 December 2003 and ten months period ended 31 October 2004 are as follows :

	Period ended 31 December <u>2002</u> RM'000	Year Ended 31 December <u>2003</u> RM'000	Period Ended 31 October <u>2004</u> RM'000
Revenue	-	9,463	34,507
(Loss)/Profit before depreciation, interest and taxation	(52)	(7,652)	3,083
Depreciation	-	(1,323)	(1,719)
Interest expense	-	(400)	(648)
(Loss)/Profit before taxation	(52)	(9,375)	716
Taxation	-	2,489	(265)
(Loss)/Profit after taxation	(52)	(6,886)	451
Weighted average number of ordinary shares in issue ('000)	8,000	8,000	8,000
Gross (loss)/earnings per share (RM)	(0.01)	(1.17)	0.09
Net loss per share (RM)	(0.01)	(0.86)	0.06

- (a) There were no extraordinary items/exceptional items in all the financial year/periods under review.
- (b) In May 2003, ATPSB commenced its operations in the manufacture of particle board and other related products.

ATPSB suffered a loss in its first year of operations mainly due to the following:

- (i) the operations of ATPSB not achieving economies of scale in the first few months of operations due to the low production volume.
- (ii) finished goods were sold at below market selling prices in the first few months of operations as the quality of the products was not up to market standard.
- (iii) the marketing strategy adopted by the management in quoting selling prices below market rate in order to gain entry into new markets and customers
- (c) Revenue increased from 2003 to 2004 mainly due to the following:
- (i) increase in production volume as a result of production efficiency;
- (ii) increase in market share and higher selling price due to improvement in the quality of finished goods.

11. ACCOUNTANTS' REPORT (Cont'd)

- (d) The income tax for year/period ended 2003 and 2004 has been adjusted as follows:

	<u>2003</u>	<u>2004</u>
	RM'000	RM'000
Income tax as stated in audited financial statements	(2,622)	398
Adjustment for underprovision of deferred taxation	<u>133</u>	<u>(133)</u>
Adjusted income tax as stated in this report	<u>(2,489)</u>	<u>265</u>

The taxation for year 2003 relates to provision for deferred tax benefit arising from unabsorbed tax losses and capital allowances carried forward.

The effective tax rate for period ended 2004 was higher than the statutory tax rate due to expenses disallowable for tax purposes.

- (e) The gross loss/earnings per share have been calculated based on the loss/profit before taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/period.
- (f) The net loss/earnings per share have been calculated based on the loss after taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/period.

11. ACCOUNTANTS' REPORT (Cont'd)**7.3 EMPSB**

The income statements of EMPSB based on the audited financial statements for the past five financial years ended 31 December 2003 and ten months period ended 31 October 2004 are as follows :

	< ----- Financial years ended 31 December----- >					31 October
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	4,601	3,161	-	-	-	-
Profit/(Loss) before depreciation, interest and taxation	1,446	651	(513)	(6)	(37)	(3)
Depreciation	(498)	(508)	-	-	-	-
Interest expense	(117)	(45)	-	-	-	-
Profit/(Loss) before taxation	831	98	(513)	(6)	(37)	(3)
Taxation	(86)	(96)	182	-	-	-
Profit/(Loss) after taxation	745	2	(331)	(6)	(37)	(3)
Weighted average number of ordinary shares in issue ('000)	2,000	2,000	2,000	2,000	2,000	2,000
Gross earnings/(loss) per share (RM)	0.42	0.05	(0.26)	-	(0.02)	-
Net earnings/(loss) per share (RM)	0.37	-	(0.17)	-	(0.02)	-

- (a) There were no extraordinary items/exceptional items in all the financial years under review.
- (b) The principal activities of EMPSB were manufacturing and dealing in fancy laminated plywood, door skin and other related products. EMPSB ceased operations in 2001 after the transfer of its operations to EFB and has remained dormant since then.
- (c) Revenue declined in financial year 2000 due to withdrawal of a major customer from Korea.
- (d) There is no tax charge for EMPSB on business income in 1999 as the amount payable is waived under the Income Tax (Amendment) Act 1999. The tax charge for financial year 1999 and 2000 relates to provision for deferred taxation. The tax for financial year 2001 relates to reversal of provision for deferred taxation.
- (e) The gross earnings/(loss) per share have been calculated based on the profit/(loss) before taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/period.
- (h) The net earnings/(loss) per share have been calculated based on the profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/period.

11. ACCOUNTANTS' REPORT (Cont'd)**7.4 SFCL**

The income statements of SFCL based on the audited financial statements for the financial period ended 31 October 2004 are as follows :

	Period Ended 31 October 2004 RM'000
Revenue	67,240
Profit before depreciation, interest and taxation	22,538
Depreciation	(3,407)
Interest expense	(1,033)
Profit before taxation	18,098
Taxation	-
Profit after taxation	18,098
Weighted average number of ordinary shares in issue ('000)	32,634
Gross earnings per share (RM)	0.55
Net earnings per share (RM)	0.55

- (a) There were no extraordinary items/exceptional items in the financial period under review.
- (b) The principal activity of SFCL is production and distribution of medium-density fibreboard (MDF). SFCL was incorporated as a limited company under Thai laws on 16 January 2004.
- (c) SFCL commenced operations in March 2004 and recorded revenue of RM67.2 million and profit after taxation of RM18.1 million for the period under review. Revenue from exports accounted for 96.5% of total revenue.
- (d) There was no taxation in the period under review as SFCL was granted tax privileges by the Board of Investment, Thailand under the Investment Promotion Act B.E. 2520.
- (e) The gross earnings per share has been calculated based on the profit before taxation divided by the weighted average number of ordinary shares in issue.
- (f) The net earnings per share has been calculated based on the profit after taxation divided by the weighted average number of ordinary shares in issue.

11. ACCOUNTANTS' REPORT (Cont'd)**7.5 EDPSB**

The income statements of EDPSB based on the audited financial statements for the past five financial periods/years ended 31 December 2003 and ten months financial period ended 31 October 2004 are as follows :

	< ----- Period ended ----- >		Years ended			Period
	30 September 1999 RM'000	31 December 2000 RM'000	< -----31 December----- > 2001 RM'000	2002 RM'000	2003 RM'000	ended 31 October 2004 RM'000
Revenue	40,839	53,140	-	-	-	-
Profit/(Loss) before depreciation, interest and taxation	6,922	4,374	(195)	(8)	(333)	157
Depreciation	(954)	(1,234)	(138)	(138)	(134)	(112)
Interest expenses	(30)	(33)	-	-	-	-
Profit/(Loss) before taxation	5,938	3,107	(333)	(146)	(467)	45
Taxation	(14)	(925)	967	78	34	-
Profit/(Loss) after taxation	5,924	2,182	634	(68)	(433)	45
Weighted average number of ordinary shares in issue ('000)	10,300	10,300	10,300	10,300	10,300	10,300
Gross earnings/(loss) per share (RM)	0.58	0.30	(0.03)	(0.01)	(0.05)	-
Net earnings/(loss) per share (RM)	0.58	0.21	0.06	(0.01)	(0.04)	-

- (a) There were no extraordinary items/exceptional items in all the financial periods/years under review.
- (b) The principal activities of EDPSB were manufacturing and dealing in fancy laminated plywood, veneer and other related products. EDPSB ceased operations in 2001 after the transfer of its operations to EFB and has remained dormant since then.
- (c) Revenue increased in financial year 2000 due to expansion of customer base into the Middle East.
- (d) Higher losses were noted in financial year 2003 due to accrual for directors fees in respect of financial year 2002 and 2003 which was subsequently waived by the directors in year 2004 resulting in a profit in 2004.

11. ACCOUNTANTS' REPORT (Cont'd)



- (e) There is no tax charge for EDPSB on business income in 1999 as the amount payable was waived under the Income Tax (Amendment) Act, 1999. The tax charge in the same year relates to interest income received for calendar year 1998.

The effective tax rate for financial year 2000 was higher than the statutory tax rate due to certain expenses not deductible for tax purposes.

The tax for financial year 2001 to 2003 relates to reversal of provision for deferred taxation.

There was no tax charge for the financial period ended 31 October 2004 as EDPSB has sufficient unabsorbed business loss to offset against the tax charge.

- (f) The gross earnings/(loss) per share have been calculated based on the profit/(loss) before taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/period.
- (g) The net earnings/(loss) per share have been calculated based on the profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/periods.

11. ACCOUNTANTS' REPORT (Cont'd)**7.6 DTISB**

The income statements of DTISB based on the audited financial statements for the past four financial years ended 30 April 2000 to 2004 and ten months period ended 31 October 2004 are as follows :

	<----- Financial years ended 30 April ----->					Period ended
	<u>2000</u> RM'000	<u>2001</u> RM'000	<u>2002</u> RM'000	<u>2003</u> RM'000	<u>2004</u> RM'000	31 October <u>2004</u> RM'000
Revenue	34,127	28,454	20,657	18,720	14,951	10,426
Profit before depreciation, interest and taxation	4,587	2,974	1,152	1,099	936	1,354
Depreciation	(559)	(522)	(445)	(434)	(77)	(46)
Interest expenses	(25)	(177)	(139)	(105)	(44)	(10)
Profit before taxation	4,003	2,275	568	560	815	1,298
Taxation	(1,145)	(667)	(136)	(186)	(117)	(363)
Profit after taxation	2,858	1,608	432	374	698	935
Weighted average number of ordinary shares in issue ('000)	600	600	600	600	600	600
Gross earnings per share (RM)	6.67	3.79	0.95	0.93	1.36	2.16
Net earnings per share (RM)	4.76	2.68	0.72	0.62	1.16	1.56

- (a) There were no extraordinary items/exceptional items in all the financial years/period under review.
- (b) DTISB is principally involved in manufacturing of fancy plywood. Revenue and profit before tax for DTISB has been declining from financial years 2000 to 2003 mainly due to intense price competition in the local and overseas market.

Despite the decline in revenue for financial year/period ended 2004, profit before tax improved due to the following :

- (i) greater control and supervision over the cost of raw material, especially veneer, and improvement in production efficiency.
- (ii) management's focus on the local market which contributes a higher profit margin compared to exports, where higher incidental costs were incurred.

11. ACCOUNTANTS' REPORT (Cont'd)

- (c) The income tax expense for the following years have been adjusted as follows:

	<----- Year ended 30 April ----->		
	<u>2000</u>	<u>2001</u>	<u>2004</u>
	RM'000	RM'000	RM'000
Income tax expense as stated in the audited financial statements	1,100	198	631
Adjustments to reflect the income tax expense in the respective years	45	469	(514)
Adjusted income tax expense as stated in this report	<u>1,145</u>	<u>667</u>	<u>117</u>

The adjustments relate to claims for reinvestment allowances which were disallowed by the Inland Revenue Board.

The effective tax rate for financial year 2000 to 2003 was higher than the statutory tax rate due to certain expenses disallowable for tax purposes.

The effective tax rate for financial year/period ended 2004 was lower than the statutory tax rate due to claims for reinvestment allowances.

- (d) The gross earnings per share have been calculated based on the profit before taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/period.
- (e) The net earnings per share have been calculated based on the profit after taxation divided by the weighted average number of ordinary shares in issue of the respective financial years/period.

11. ACCOUNTANTS' REPORT (Cont'd)**8. SUMMARISED BALANCE SHEETS****8.1 EFB**

The following financial information of EFB is based on the audited financial statements of EFB for the past five (5) financial years ended 31 December 2003 and ten (10) months period ended 31 October 2004.

	<----- 31 December ----->					31 October
	1999	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	54,467	123,785	134,638	129,645	131,519	125,766
Subsidiaries	-	807	26,872	34,872	34,872	62,260
Associate	10,600	10,600	-	-	8,271	8,271
	<u>65,067</u>	<u>135,192</u>	<u>161,510</u>	<u>164,517</u>	<u>174,662</u>	<u>196,297</u>
CURRENT ASSETS						
Inventories	7,471	8,009	17,981	19,908	23,959	28,479
Trade receivables	11,410	12,025	14,453	22,216	21,262	30,575
Other receivables	29,760	2,532	3,326	16,166	30,227	25,628
Tax recoverable	-	390	754	792	1,994	-
Cash and bank balances	32,910	37,026	61,386	77,122	87,324	92,552
	<u>81,551</u>	<u>59,982</u>	<u>97,900</u>	<u>136,204</u>	<u>164,766</u>	<u>177,234</u>
CURRENT LIABILITIES						
Short term borrowings	1,057	6,772	10,101	8,349	6,215	26,082
Trade payables	6,322	9,461	13,208	14,140	17,984	18,707
Other payables and accruals	4,306	6,337	32,039	31,067	31,020	33,885
Dividend payable	-	-	-	-	50,000	30,000
Tax payable	33	-	-	-	-	2,922
	<u>11,718</u>	<u>22,570</u>	<u>55,348</u>	<u>53,556</u>	<u>105,219</u>	<u>111,596</u>
NET CURRENT ASSETS	<u>69,833</u>	<u>37,412</u>	<u>42,552</u>	<u>82,648</u>	<u>59,547</u>	<u>65,638</u>
	<u>134,900</u>	<u>172,604</u>	<u>204,062</u>	<u>247,165</u>	<u>234,209</u>	<u>261,935</u>
FINANCED BY:						
Share capital	30,000	30,000	35,073	35,073	36,447	36,447
Share premium	-	-	16,181	16,181	23,268	23,268
Reserves	85,410	104,158	121,985	172,531	155,460	181,035
Shareholders' equity	<u>115,410</u>	<u>134,158</u>	<u>173,239</u>	<u>223,785</u>	<u>215,175</u>	<u>240,750</u>
Non-current liabilities						
Long term borrowings	10,784	24,368	15,800	7,195	966	673
Deferred taxation	8,706	14,078	15,023	16,185	18,068	20,512
	<u>19,490</u>	<u>38,446</u>	<u>30,823</u>	<u>23,380</u>	<u>19,034</u>	<u>21,185</u>
	<u>134,900</u>	<u>172,604</u>	<u>204,062</u>	<u>247,165</u>	<u>234,209</u>	<u>261,935</u>
Net tangible assets per ordinary share (RM)	<u>3.85</u>	<u>4.47</u>	<u>4.94</u>	<u>6.38</u>	<u>5.90</u>	<u>6.61</u>

The above balances have been adjusted to reflect the provision for deferred taxation in the respective financial years.

11. ACCOUNTANTS' REPORT (Cont'd)**8.2 ATPSB**

The following financial information of ATPSB is based on the audited financial statements of ATPSB for the period ended 31 December 2002, year ended 31 December 2003 and period ended 31 October 2004.

	<----- 31 December ---->		31 October
	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	22,340	36,376	35,185
Deferred tax assets	-	2,488	2,362
	<u>22,340</u>	<u>38,864</u>	<u>37,547</u>
CURRENT ASSETS			
Inventories	-	1,331	3,566
Trade receivables	-	3,005	4,608
Other receivables	219	1,088	939
Tax recoverable	-	4	2
Cash and bank balances	269	2,962	2,553
	<u>488</u>	<u>8,390</u>	<u>11,668</u>
CURRENT LIABILITIES			
Short term borrowings	-	1,136	4,740
Trade payables	-	3,717	2,788
Other payables	14,880	22,484	25,924
	<u>14,880</u>	<u>27,337</u>	<u>33,452</u>
NET CURRENT LIABILITIES	<u>(14,392)</u>	<u>(18,947)</u>	<u>(21,784)</u>
	<u>7,948</u>	<u>19,917</u>	<u>15,763</u>
FINANCED BY:			
Share capital	8,000	8,000	8,000
Accumulated losses	(52)	(6,939)	(6,353)
Shareholders' equity	<u>7,948</u>	<u>1,061</u>	<u>1,647</u>
Long term borrowings	-	18,856	14,116
	<u>7,948</u>	<u>19,917</u>	<u>15,763</u>
Net tangible assets per ordinary share (RM)	<u>0.99</u>	<u>0.13</u>	<u>0.21</u>

The above balances have been adjusted to reflect the provision for deferred taxation in the respective financial years.

11. ACCOUNTANTS' REPORT (Cont'd)**8.3 EMPSB**

The following financial information of EMPSB is based on the audited financial statements of EMPSB for the past five (5) financial years ended 31 December 2003 and ten (10) months period ended 31 October 2004.

	<----- 31 December ----->					31 October
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	4,399	4,087	-	-	-	-
Holding company	-	-	1,502	1,499	1,450	2,042
	<u>4,399</u>	<u>4,087</u>	<u>1,502</u>	<u>1,499</u>	<u>1,450</u>	<u>2,042</u>
CURRENT ASSETS						
Inventories	928	579	-	-	-	-
Trade receivables	493	101	-	-	-	-
Other receivables	30	17	-	-	-	-
Cash and bank balances	642	717	590	587	599	5
	<u>2,093</u>	<u>1,414</u>	<u>590</u>	<u>587</u>	<u>599</u>	<u>5</u>
CURRENT LIABILITIES						
Short term borrowings	779	137	-	-	-	-
Trade payables	1,454	1,154	-	-	-	-
Other payables and accruals	1,601	1,606	1	1	1	2
	<u>3,834</u>	<u>2,897</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(1,741)</u>	<u>(1,483)</u>	<u>589</u>	<u>586</u>	<u>598</u>	<u>3</u>
	<u>2,658</u>	<u>2,604</u>	<u>2,091</u>	<u>2,085</u>	<u>2,048</u>	<u>2,045</u>
FINANCED BY:						
Share capital	2,000	2,000	2,000	2,000	2,000	2,000
Reserves	420	422	91	85	48	45
Shareholders' equity	<u>2,420</u>	<u>2,422</u>	<u>2,091</u>	<u>2,085</u>	<u>2,048</u>	<u>2,045</u>
NON-CURRENT LIABILITIES						
Long term borrowings	152	-	-	-	-	-
Deferred taxation	86	182	-	-	-	-
	<u>238</u>	<u>182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,658</u>	<u>2,604</u>	<u>2,091</u>	<u>2,085</u>	<u>2,048</u>	<u>2,045</u>
Net tangible assets per ordinary share (RM)	<u>1.21</u>	<u>1.21</u>	<u>1.05</u>	<u>1.04</u>	<u>1.02</u>	<u>1.02</u>

11. ACCOUNTANTS' REPORT (Cont'd)**8.4 SFCL**

The following financial information of SFCL is based on the audited financial statements of SFCL for the period ended 31 October 2004.

	31 October 2004 RM'000
NON-CURRENT ASSET	
Property, plant and equipment	<u>75,985</u>
CURRENT ASSETS	
Inventories	4,556
Trade receivables	15,490
Due from holding company	1,524
Other receivables	7,089
Cash and bank balances	8,004
	<u>36,663</u>
CURRENT LIABILITIES	
Short term borrowings	1,874
Trade payables	7,596
Other payables	6,514
Due to affiliated companies*	907
	<u>16,891</u>
NET CURRENT ASSETS	<u>19,772</u>
	<u>95,757</u>
FINANCED BY:	
Share capital - ordinary shares	32,634
- preference shares	3,626
Share premium	3,626
Foreign exchange reserve	(2,518)
Retained profits	18,098
	<u>55,466</u>
NON CURRENT LIABILITY	
Long term borrowings	<u>40,291</u>
	<u>95,757</u>
Net tangible assets per ordinary share (RM)	<u>1.70</u>

* Affiliated companies are those companies in which the minority shareholders have interests.

11. ACCOUNTANTS' REPORT (Cont'd)**8.5 EDPSB**

The following financial information of EDPSB is based on the audited financial statements of EDPSB for the past five (5) financial period/years ended 31 December 2003 and ten (10) months period ended 31 October 2004.

	30 September	31 December				31 October
	1999	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	11,018	10,517	5,552	5,414	5,280	5,168
Holding company	-	-	21,153	21,150	20,983	20,981
	<u>11,018</u>	<u>10,517</u>	<u>26,705</u>	<u>26,564</u>	<u>26,263</u>	<u>26,149</u>
CURRENT ASSETS						
Inventories	5,008	5,285	-	-	-	-
Trade receivables	2,929	3,645	-	-	-	-
Other receivables	379	83	-	-	-	-
Tax recoverable	-	-	-	-	-	-
Cash and bank balances	10,926	12,749	14	9	5	3
	<u>19,242</u>	<u>21,762</u>	<u>14</u>	<u>9</u>	<u>5</u>	<u>3</u>
CURRENT LIABILITIES						
Holding company	3,158	3,230	-	-	-	-
Short term borrowings	55	263	-	-	-	-
Trade payables	434	434	-	-	-	-
Other payables	1,476	360	1	1	163	2
Tax payable	4	679	-	-	-	-
	<u>5,127</u>	<u>4,966</u>	<u>1</u>	<u>1</u>	<u>163</u>	<u>2</u>
NET CURRENT ASSETS/ (LIABILITIES)						
	<u>14,115</u>	<u>16,796</u>	<u>13</u>	<u>8</u>	<u>(158)</u>	<u>1</u>
	<u>25,133</u>	<u>27,313</u>	<u>26,718</u>	<u>26,572</u>	<u>26,105</u>	<u>26,150</u>
FINANCED BY:						
Share capital	10,300	10,300	10,300	10,300	10,300	10,300
Share premium	3,500	3,500	3,500	3,500	3,500	3,500
Retained profits	9,990	12,172	12,806	12,738	12,305	12,350
Shareholders' equity	<u>23,790</u>	<u>25,972</u>	<u>26,606</u>	<u>26,538</u>	<u>26,105</u>	<u>26,150</u>
NON-CURRENT LIABILITIES						
Long term borrowings	177	262	-	-	-	-
Deferred taxation	1,166	1,079	112	34	-	-
	<u>1,343</u>	<u>1,341</u>	<u>112</u>	<u>34</u>	<u>-</u>	<u>-</u>
	<u>25,133</u>	<u>27,313</u>	<u>26,718</u>	<u>26,572</u>	<u>26,105</u>	<u>26,150</u>
Net tangible assets per ordinary share (RM)	2.31	2.52	2.58	2.58	2.53	2.54

11. ACCOUNTANTS' REPORT (Cont'd)**8.6 DTISB**

The following financial information of DTISB is based on the audited financial statements of DTISB for the past five (5) financial years ended 30 April 2004 and period ended 31 October 2004.

	←----- 30 April ----->					31 October
	2000	2001	2002	2003	2004	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	2,648	5,690	5,155	4,852	4,523	4,857
CURRENT ASSETS						
Inventories	12,155	10,425	8,944	8,421	6,818	8,076
Trade receivables	5,933	4,562	3,799	3,907	3,896	4,167
Other receivables	346	643	893	708	120	131
Cash and bank balances	1,372	1,168	3,944	5,194	4,643	5,594
	<u>19,806</u>	<u>16,798</u>	<u>17,580</u>	<u>18,230</u>	<u>15,477</u>	<u>17,968</u>
CURRENT LIABILITIES						
Short term borrowings	60	540	534	411	329	290
Trade payables	3,297	826	1,191	1,684	571	1,824
Other payables	494	327	334	309	357	727
Tax payable	1,164	514	514	514	(514)	300
	<u>5,015</u>	<u>2,207</u>	<u>2,573</u>	<u>2,918</u>	<u>743</u>	<u>3,141</u>
NET CURRENT ASSETS	<u>14,791</u>	<u>14,591</u>	<u>15,007</u>	<u>15,312</u>	<u>14,734</u>	<u>14,827</u>
	<u>17,439</u>	<u>20,281</u>	<u>20,162</u>	<u>20,164</u>	<u>19,257</u>	<u>19,684</u>
FINANCED BY:						
Share capital	600	600	600	600	600	600
Share premium	1,500	1,500	1,500	1,500	1,500	1,500
Reserves	15,291	16,900	17,332	17,706	17,116	17,537
Shareholders' equity	<u>17,391</u>	<u>19,000</u>	<u>19,432</u>	<u>19,806</u>	<u>19,216</u>	<u>19,637</u>
NON-CURRENT LIABILITIES						
Long term borrowings	48	1,281	730	353	5	-
Deferred taxation	-	-	-	5	36	47
	<u>48</u>	<u>1,281</u>	<u>730</u>	<u>358</u>	<u>41</u>	<u>47</u>
	<u>17,439</u>	<u>20,281</u>	<u>20,162</u>	<u>20,164</u>	<u>19,257</u>	<u>19,684</u>
Net tangible assets per ordinary share (RM)	<u>28.99</u>	<u>31.67</u>	<u>32.39</u>	<u>33.01</u>	<u>32.03</u>	<u>32.73</u>

11. ACCOUNTANTS' REPORT (Cont'd)**9. STATEMENT OF ASSETS AND LIABILITIES**

The statement of assets and liabilities of EFB Group is prepared based on the audited financial statements and consolidated financial statements of EFB as at 31 October 2004 excluding RISB which is in the process of being wound up. The proforma statement of assets and liabilities of the Group and of the Company are to be read in conjunction with the notes thereto.

	<u>Note</u>	<u>Group</u> RM'000	<u>Company</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	9.2	242,195	125,766
Investment in subsidiaries	9.3	-	62,260
Investment in associate	9.4	8,706	8,271
Goodwill on consolidation	9.5	1,028	-
		251,929	196,297
CURRENT ASSETS			
Inventories	9.6	36,642	28,479
Trade receivables	9.7	49,908	30,575
Other receivables, deposits and prepayments	9.8	12,385	25,628
Cash and bank balances	9.9	103,118	92,552
		202,053	177,234
CURRENT LIABILITIES			
Short term borrowings	9.10	32,696	26,082
Trade payables	9.12	28,809	18,707
Other payables	9.13	20,110	33,885
Dividend payable		30,000	30,000
Tax payable		2,920	2,922
		114,535	111,596
NET CURRENT ASSETS			
		87,518	65,638
		339,447	261,935
FINANCED BY			
Share capital	9.14	36,447	36,447
Share premium	9.15	23,268	23,268
Foreign exchange reserve		(2,456)	-
Retained profits		191,609	181,035
		248,868	240,750
Shareholders' equity		248,868	240,750
Minority interests		17,215	-
		266,083	240,750
NON-CURRENT LIABILITIES			
Long term borrowings	9.10	55,080	673
Deferred taxation	9.16	18,284	20,512
		73,364	21,185
		339,447	261,935
Net Tangible Assets per share (RM)		6.80	6.61

11. ACCOUNTANTS' REPORT (Cont'd)



9.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with applicable Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Associates

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

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

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

11. ACCOUNTANTS' REPORT (Cont'd)**(c) Goodwill on Consolidation**

Goodwill represents the excess of the cost of acquisition over the Groups' interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1 (m).

Goodwill is amortised on a straight line basis over its estimated useful life of 5 years.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1(m).

Freehold land and construction in progress are not depreciated. Leasehold land and buildings are depreciated over the unexpired lease period. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life as follows :

Short leasehold land	50 years
Long leasehold land	60 years
Leasehold buildings	50 – 60 years
Plant and machinery	10 – 20 years
Other assets	5 – 10 years

Subsequent restoration costs, relating to an item of property, plant and equipment that has been recognised, are capitalised only if such costs improve the condition of the property, plant and equipment beyond its originally assessed standard of performance. All other subsequent expenditure are recognised as an expense in the year in which it is incurred.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(e) Inventories

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

(f) Cash and Cash Equivalents

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

11. ACCOUNTANTS' REPORT (Cont'd)



(g) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

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

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 9.1(d).

(h) Provisions for Liabilities

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

(i) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

11. ACCOUNTANTS' REPORT (Cont'd)**(j) Employee Benefit****(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increased their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(k) Revenue Recognition

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

(i) Sales of goods

Revenue relating to sale of goods is recognised net of discounts upon the transfer of risks and rewards.

(ii) Interest income

Interest income is recognised on the accrual basis.

(l) Foreign Currencies**(i) Foreign currency transactions**

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

All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiary are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

The closing rate per unit of Ringgit Malaysia used in the translation of a foreign incorporated subsidiary company's financial statements are as follows :

Thai Baht

RM

0.0937

11. ACCOUNTANTS' REPORT (Cont'd)



Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

(m) Impairment of Assets

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

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

(n) Investments in Subsidiaries and Associate Entities

The Company's investments in subsidiaries and associate entities are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

(o) Financial Instruments

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

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

(i) Trade and Other Receivables

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

(ii) Trade and Other Payables

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

11. ACCOUNTANTS' REPORT (Cont'd)**(iii) Interest-Bearing Borrowings**

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

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(iv) Equity Instruments

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the period in which the obligation to pay is established.

9.2 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land and building	23,969	722	23,228
Leasehold land and building	44,863	5,729	39,134
Plant and machinery	243,734	95,340	148,394
Other assets*	10,670	5,434	5,255
Construction in progress	26,184	-	26,184
Total	349,420	107,225	242,195
<u>Company</u>			
Freehold land and buildings	1,028	41	987
Leasehold land and buildings	37,728	3,854	33,874
Plant and machinery	165,663	78,084	87,579
Other assets*	7,231	3,905	3,326
Total	211,650	85,884	125,766

* Other assets comprise motor vehicles, signboard, furniture and fittings, office equipment, air conditioners, computers and telecommunication systems.

(a) Net book values of property, plant and equipment pledged for borrowings as referred to in Note 9.10 are as follows :

	<u>Group</u> RM'000	The <u>Company</u> RM'000
Leasehold land and buildings	6,296	1,128
Freehold land and buildings	22,241	-
Plant and machinery	36,974	-
Other assets	963	-
	66,474	1,128

11. ACCOUNTANTS' REPORT (Cont'd)

- (b) Net book values of property, plant and equipment registered in the names of third parties and a director holding in trust on behalf of the Group and EFB are as follows :

	<u>Group and Company</u> RM'000
Freehold land and building	262
Motor vehicles	915
	<u>1,177</u>

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

	<u>Group and Company</u> RM'000
Motor vehicles	<u>1,157</u>

- (d) Included in property, plant and equipment are the following cost of fully depreciated assets which are still in use :

	<u>Group and Company</u> RM'000
Other assets	<u>3,214</u>

- (e) No depreciation is provided for the following cost of property, plant and equipment which are not in use :

	<u>Group and Company</u> RM'000
Plant and machineries	<u>866</u>

- (f) Leasehold land of the Group costing RM1,084,499 is still in the progress of transfer of land title.

- (g) During the financial period, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM15,814,222 and RM4,681,857 respectively, of which RM850,612 were acquired by means of finance lease arrangements.

11. ACCOUNTANTS' REPORT (Cont'd)**9.3 INVESTMENT IN SUBSIDIARIES**

	<u>Company</u> RM'000
Unquoted shares, at cost	68,086
Provision for diminution in value	<u>(5,826)</u>
	<u>62,260</u>

Details of the subsidiaries are as follows :

Name	Country of Incorporation	Equity Interest Held (%)	Principal Activities
Reuntex Industries (M) Sdn. Bhd.*	Malaysia	99.99	Property holding
Evergreen Décor Products (M) Sdn. Bhd.	Malaysia	100	Dormant
Evergreen Molded Panels Sdn. Bhd.	Malaysia	100	Dormant
Allgreen Timber Products Sdn. Bhd.	Malaysia	100	Manufacture of particleboard and other related products
Siam Fibreboard Company Limited**	Thailand	75	Manufacture of medium density fibreboard

* Audited by a firm of chartered accountants other than Ernst & Young. The subsidiary is in the process of being wound up.

** Audited by a member firm of Ernst & Young.

9.4 INVESTMENT IN ASSOCIATE

	<u>Group</u> RM'000	<u>Company</u> RM'000
Unquoted shares, at fair value	8,271	8,271
Share of post-acquisition reserves	435	-
	<u>8,706</u>	<u>8,271</u>
Represented by :		
Share of net assets	8,772	
Negative goodwill on acquisition	(66)	
	<u>8,706</u>	

Details of the associate are as follows :

Name of Associate	Country of Incorporation	Equity Interest Held (%)	Principal Activity
Dawa Timber Industries Sdn. Bhd.	Malaysia	44.67	Manufacturing of fancy plywood

11. ACCOUNTANTS' REPORT (Cont'd)**9.5 GOODWILL ON CONSOLIDATION**

	<u>Group</u> RM'000
Goodwill on consolidation	9,677
Accumulated amortisation	(6,377)
Impairment losses	(2,272)
	<u>1,028</u>

9.6. INVENTORIES

	<u>Group</u> RM'000	<u>Company</u> RM'000
At cost :		
Raw materials	15,308	12,386
Work in progress	887	115
Finished goods	11,363	8,386
Goods in transit	120	120
Factory supplies	434	-
Pallets	1,129	71
Spare parts	7,401	7,401
	<u>36,642</u>	<u>28,479</u>

9.7 TRADE RECEIVABLES

	<u>Group</u> RM'000	<u>Company</u> RM'000
Trade receivables	48,525	29,192
Amount owing by associate company	1,383	1,383
	<u>49,908</u>	<u>30,575</u>

The normal trade credit term of the Group ranges from 30 to 60 days. Other credits term 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.

11. ACCOUNTANTS' REPORT (Cont'd)**9.8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Due from subsidiaries	-	21,265
Deposits and prepayments	9,544	1,616
Sundry receivables	2,841	2,747
	<u>12,385</u>	<u>25,628</u>

The amount due from subsidiaries, which arose mainly from advances and transfer of assets and liabilities, is unsecured, interest-free and has no fixed terms of repayment.

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

9.9 CASH AND BANK BALANCES

	<u>Group</u> RM'000	<u>Company</u> RM'000
Cash on hand and at banks	20,496	10,130
Repurchase agreements	13,600	13,600
Deposits with licensed banks	69,022	68,822
Cash and cash equivalents	<u>103,118</u>	<u>92,552</u>

Deposits with licensed banks of the Group amounting to RM200,000 are held in trust for a trade debtor as guarantee against payment for goods sold.

Deposits with licensed banks of the Group and Company amounting to :

- (i) RM20 million are pledged to banks for credit facilities granted to certain subsidiaries.
- (ii) RM500,000 are pledged as securities for banking facilities.

Included in cash and bank balances of the Group and of the Company is RM1,585,409 (2003: RM Nil) deposited with a Thai Bank as a reserve fund for purchase of preference shares of the subsidiary in Thailand.

The interest rates during the financial year and the maturity days for the deposits as at balance sheet date were as follows:

	<u>Interest rate</u> %	<u>Maturity</u> <u>days</u>
Repurchase agreements	2.00 to 2.50	1 to 5
Deposits with licensed banks	2.60 to 3.70	5 to 238

11. ACCOUNTANTS' REPORT (Cont'd)**9.10 BORROWINGS**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Short term borrowings		
Secured :		
Term loans	7,523	909
Revolving credits	25,000	25,000
Hire purchase and finance lease payables (Note 9.11)	173	173
	<u>32,696</u>	<u>26,082</u>
Long term borrowings		
Secured :		
Term loans	54,467	60
Hire purchase and finance lease payables (Note 9.11)	613	613
	<u>55,080</u>	<u>673</u>
Total borrowings		
Term loans	61,990	969
Revolving credits	25,000	25,000
Hire purchase and finance lease payables (Note 9.11)	786	786
	<u>87,776</u>	<u>26,755</u>
Maturity of borrowing (excluding hire purchase and finance leases)		
Within 1 year	32,523	25,909
More than 1 year and less than 2 years	16,631	29
More than 2 years and less than 5 years	10,612	31
More than 5 years	27,224	-
	<u>86,990</u>	<u>25,969</u>

The term loans are secured by :

- (a) Debentures by way of fixed and floating charges over the Company and certain subsidiaries' assets, both present and future
- (b) Legal charge over the Group's leasehold land
- (c) Priority and Security Sharing Agreement

In addition, the Company has multi-option line facilities of RM4 million secured against the leasehold land and building of a subsidiary and debentures by way of fixed and floating charges over the Company's present and future assets.

Interest rates during the financial period for borrowings, excluding hire purchase and finance lease payables are as follows :

	<u>Group</u> %	<u>Company</u> %
Term loans	4.00 to 7.50	6.30 to 7.50
Revolving credits	3.77 to 4.47	3.77 to 4.47

11. ACCOUNTANTS' REPORT (Cont'd)**9.11. HIRE PURCHASE AND FINANCE LEASE PAYABLES**

	<u>Group and Company</u> RM'000
Minimum lease payments :	
Not later than 1 year	194
Later than 1 year and not later than 2 years	194
Later than 2 years and not later than 5 years	466
Later than 5 years	35
	<u>889</u>
Less : Future finance charges	<u>(103)</u>
	<u>786</u>
Present value of finance lease liabilities:	
Not later than 1 year	173
Later than 1 year and not later than 2 years	173
Later than 2 years and not later than 5 years	384
Later than 5 years	56
	<u>786</u>
Analysed as :	
Due within 12 months (Note 9.10)	173
Due after 12 months (Note 9.10)	613
	<u>786</u>

The hire purchase and lease payables bore interest during the period of between 2.20% to 3.20% per annum.

9.12 TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 10 to 90 days. Included in trade payables of the Group and of the Company is an amount of RM441,047 owing to an associate company.

9.13 OTHER PAYABLES

	<u>Group</u> RM'000	<u>Company</u> RM'000
Due to subsidiaries	-	25,962
Due to affiliated companies	907	-
Provisions	4,007	4,007
Accruals	6,084	3,405
Sundry payables	9,112	511
	<u>20,110</u>	<u>33,885</u>

The amount due to subsidiaries, which arose mainly from advances and transfer of assets and liabilities, is unsecured, interest-free and has no fixed terms of repayment.

Affiliated companies are those companies in which a subsidiary's minority shareholders have interests.

11. ACCOUNTANTS' REPORT (Cont'd)**9.14 SHARE CAPITAL**

	<u>Group and Company</u>	
	<u>Number of Ordinary Shares of RM1.00 Each 000</u>	<u>Amount RM'000</u>
Authorised	<u>50,000</u>	<u>50,000</u>
Issued and fully paid	<u>36,447</u>	<u>36,447</u>

9.15 SHARE PREMIUM

The share premium which is non-distributable represents the premium arising from the issue of shares.

9.16 DEFERRED TAXATION

	<u>Group RM'000</u>	<u>Company RM'000</u>
At 1 January	15,446	18,068
Recognised in the income statement	2,838	2,444
At 31 December	<u>18,284</u>	<u>20,512</u>
Represented by :		
Deferred tax assets	(5,238)	-
Deferred tax liabilities	23,522	20,512
	<u>18,284</u>	<u>20,512</u>

9.17 COMMITMENTS

	<u>Group RM'000</u>	<u>Company RM'000</u>
Purchase of property, plant and equipment:		
Approved and contracted for	2,574	2,574
Approved but not contracted for	11,687	583
	<u>14,261</u>	<u>3,157</u>

9.18 CONTINGENT LIABILITIES

	<u>Company RM'000</u>
Unsecured :	
Corporate guarantees to banks for credit facilities granted to a subsidiary	<u>16,900</u>

11. ACCOUNTANTS' REPORT (Cont'd)**9.19 RELATED PARTY TRANSACTIONS**

	<u>Company</u> RM'000
Sales to subsidiaries	269
Purchases from subsidiaries	<u>4,135</u>

9.20 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 exchange, liquidity and credit risks. The Group 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 has no substantial long term interest-bearing assets as at 31 October 2004. 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 or occasionally, in short term commercial papers which yield better returns than cash at bank.

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, Singapore Dollar, Euro, Thai Baht, Japanese Yen and Swiss Franc. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The net unhedged financial assets and financial liabilities of the Group 31 October 2004 that are not denominated in their functional currencies are as follows :

Functional currency of the Group	Trade receivables	Trade payables	Cash and bank balances	Total
United States Dollar	9,985,254	2,597,650	3,810,609	16,393,513
Singapore Dollar	540	(46,619)	535	(45,544)
Euro	-	(203,733)	-	(203,733)
Thai Baht	-	(4,210,000)	-	(4,210,000)
Japanese Yen	-	(300,000)	-	(300,000)
Swiss Franc	-	4,874	-	4,874
Ringgit Malaysia	-	422,697	-	422,697
	<u>9,985,794</u>	<u>(1,735,131)</u>	<u>3,811,144</u>	<u>12,061,807</u>

11. ACCOUNTANTS' REPORT (Cont'd)

At the balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities :

	Currency	Maturities Within 1 Year RM'000
Forward used to hedge anticipated sales	United States Dollar	<u>13,323</u>

(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 or cash convertible investments 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.

(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 creditworthiness. 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.

(f) Fair Values

It is not practical to estimate the fair value of amounts due from/to subsidiaries principally due to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

For 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.

The fair value of a forward foreign currency contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

11. ACCOUNTANTS' REPORT (Cont'd)**9.21 SEGMENT INFORMATION**

Segment reporting by business has not been presented as the Group's operations are within the same activities.

Geographical Segments :

The Group is organised into two major geographical segments :

- (i) Malaysia – manufacture of medium density fibreboard, wooden furniture (knock-down) and doors;
- (ii) Thailand – production and distribution of medium-density fibreboard.

The directors are of the opinion that all inter-segment transactions have been entered 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.

	Total Revenue from External Customers RM'000	Segment Assets RM'000	Capital Expenditure RM'000
Malaysia	247,340	334,153	5,209
Thailand	67,240	111,123	83,044
	<u>314,580</u>	<u>445,276</u>	<u>88,253</u>

11. ACCOUNTANTS' REPORT (Cont'd)**10. CASH FLOW STATEMENTS**

The consolidated cash flow statements of the Group and of EFB ("the Company") for the period ended 31 October 2004 are prepared based on the latest audited financial statements of EFB and its subsidiaries (excluding RISB which is in the process of being wound up) and associate company for the period ended 31 October 2004.

	<u>Group</u> RM'000	<u>Company</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	54,990	35,893
Adjustments for :		
Amortisation of goodwill	622	-
Depreciation	15,564	10,327
Interest expense	2,591	910
Interest income	(2,141)	(2,141)
Gain on disposal of property, plant and equipment	(544)	(544)
Provision for diminution on value of investment	-	37
Difference on foreign exchange	1,196	-
Share of results in associate	(827)	-
Operating profit before working capital changes	71,451	44,482
Inventories	(11,353)	(4,521)
Receivables	(24,424)	(782)
Payables	(5,502)	(18,770)
Cash generated from operating activities	30,172	20,409
Interest paid	(2,591)	(910)
Tax paid	(2,961)	(2,959)
Net cash generated from operating activities	24,620	16,540
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	(25,665)	(27,426)
Interest received	2,141	2,141
Purchase of property, plant and equipment	(14,963)	(3,831)
Proceeds from disposal of property, plant and equipment	652	652
Net cash used in investing activities	(37,835)	(28,464)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance to subsidiaries	-	(1,572)
Drawdown of term loans	32,855	25,000
Repayment of term loans	(7,318)	(6,182)
Repayment of hire purchase and finance lease	(94)	(94)
Net cash generated from financing activities	25,443	17,152

11. ACCOUNTANTS' REPORT (Cont'd)

	<u>Group</u> RM'000	<u>Company</u> RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,228	5,228
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	90,890	87,324
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	<u>103,118</u>	<u>92,552</u>
Cash and cash equivalent comprised :		
Cash and bank balances	34,096	23,730
Fixed deposits	69,022	68,822
	<u>103,118</u>	<u>92,552</u>

11. PROFORMA NET TANGIBLE ASSETS ("NTA") PER ORDINARY SHARE

Based on the statement of assets and liabilities of the EFB Group as at 31 October 2004, the proforma consolidated net tangible assets per ordinary share is calculated as follows:

	RM'000
Net tangible assets of EFB Group after incorporating the share split and bonus issue but before public issue	247,840
Proceeds from public issue	106,772
Less : Estimated listing expenses	(5,208)
Proforma net tangible assets	<u>349,404</u>
Number of ordinary shares	'000
As at 31 October 2004	36,447
Add :	
Share split and bonus issue	349,893
Public issue	93,660
Enlarged issued and paid-up share capital	<u>480,000</u>
Proforma net tangible assets per ordinary share before public issue (RM)	0.64
Proforma net tangible assets per ordinary share after public issue (RM)	0.73

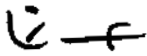
11. ACCOUNTANTS' REPORT (Cont'd)




12. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been made up in respect of any period subsequent to 31 October 2004.

Yours faithfully


ERNST & YOUNG
AF : 0039
Chartered Accountants


WUN MOW SANG
1821/12/06(J)
Partner