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## 11.0 ACCOUNTANTS' REPORT

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### 11.1 Accountants' Report (Prepared for inclusion in this Prospectus)



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**20 FEB 2001**

The Board of Directors  
SKB Shutters Corporation Berhad  
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Dear Sirs,

## ACCOUNTANTS' REPORT

### 1. INTRODUCTION

This report has been prepared by an approved company auditor for inclusion in the Prospectus dated **22 FEB 2001** in connection with the public issue of 6,150,000 new ordinary shares of RM1.00 each at an issue price of RM1.50 per ordinary share in SKB Shutters Corporation Berhad (hereinafter referred to as "SKB Shutters" or "the Company") and the listing of and quotation for its entire issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

### 2. GENERAL INFORMATION

#### 2.1 THE COMPANY'S BACKGROUND

The Company was incorporated on 6 May 1997 in Malaysia under the Companies Act, 1965 as a private limited company under the name of SKB Shutters Corporation Sdn. Bhd. It was converted into a public limited company on 16 June 1997 and since then, assumed its present name.

The Company is an investment holding company.



KPMG, KPMG, a partnership established under Malaysian Law, is a member of KPMG International, a Swiss association.

**11.0 ACCOUNTANTS' REPORT (Cont'd)****2.2 SHARE CAPITAL**

At the date of incorporation, the Company's authorised share capital was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and the Company's issued and fully paid-up share capital was RM2.00 comprising 2 ordinary shares of RM1.00 each.

Presently, the Company has an authorised and paid-up share capital of RM50,000,000 and RM33,850,000 respectively comprising 50,000,000 and 33,850,000 ordinary shares of RM1.00 each.

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

<b>Date of allotment</b>	<b>No. of Ordinary shares of RM1.00 each</b>	<b>Par value</b>	<b>Consideration</b>	<b>Total issued and fully paid-up share capital (cumulative)</b>
		<b>RM</b>		<b>RM</b>
6.5.97	2	1.00	Subscribers' shares	2
6.2.01	17,422,940	1.00	Issued as consideration for the acquisition of 100% equity interest in SKB Shutters Manufacturing Sdn Bhd ("SKBM")	17,422,942
6.2.01	291,801	1.00	Issued as consideration for the acquisition of 100% equity interest in SKB Trading Sdn Bhd ("SKBT")	17,714,743
6.2.01	243,330	1.00	Issued as consideration for the acquisition of 20% equity interest in Rigida (Malaysia) Sdn Bhd ("Rigida")	17,958,073
19.2.01	15,891,927	1.00	Rights issue on the basis of approximately one hundred (100) new ordinary shares for every one hundred and thirteen (113) existing ordinary shares held, based on the enlarged share capital of 17,958,073 ordinary shares of RM1.00 each, at an issue price of RM1.00 per share	33,850,000

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**11.0 ACCOUNTANTS' REPORT (Cont'd)**

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**2.2 SHARE CAPITAL (Cont'd)**

The issued and paid-up share capital of SKB Shutters would subsequently be increased to RM40,000,000 by way of a public issue of 6,150,000 new ordinary shares of RM1.00 each at an issue price of RM1.50 per share.

**2.3 RESTRUCTURING SCHEME**

In conjunction with and as part of the listing of and quotation for the entire issued and paid-up share capital of SKB Shutters on the Second Board of the KLSE, the following restructuring scheme was carried out:-

**(I) Acquisitions**

- (i) Acquisition of the entire issued and fully paid-up share capital in SKBM by SKB Shutters comprising 2,000,000 ordinary shares of RM1.00 each for a total consideration of RM24,914,804 to be satisfied by the issue of 17,422,940 new ordinary shares of RM1.00 each, at RM1.43 per share in SKB Shutters. The purchase consideration is based on the adjusted net tangible assets of SKBM after accounting for the revaluation surplus of RM251,661.
- (ii) Acquisition of the entire issued and fully paid-up share capital in SKBT by SKB Shutters comprising 2 ordinary shares of RM1.00 each for a total consideration of RM417,276 to be satisfied by the issue of 291,801 new ordinary shares of RM1.00 each, at RM1.43 per share in SKB Shutters.
- (iii) Acquisition of the entire issued and fully paid-up share capital in SKB Electric Motor Sdn Bhd ("SKBE") by SKB Shutters comprising 2 ordinary shares of RM1.00 each for a total consideration of RM2 to be satisfied by cash.
- (iv) Acquisition of 20% of the issued and fully paid-up share capital in Rigida by SKB Shutters for a purchase consideration of RM347,962 to be satisfied by the issue of 243,330 new ordinary shares of RM1.00 each, at RM1.43 per share in SKB Shutters.

The above acquisitions were completed on 6 February 2001.

**(II) Rights Issue**

Rights Issue of 15,891,927 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share, for cash on the basis of approximately 100 new ordinary shares for every 113 existing ordinary shares held, based on the enlarged share capital of 17,958,073 ordinary shares of RM1.00 each in SKB Shutters (after the above acquisitions).

The rights issue was completed on 19 February 2001.

**11.0 ACCOUNTANTS' REPORT (Cont'd)****(III) Public Issue**

Proposed Public Issue of 6,150,000 new ordinary shares of RM1.00 each at an issue price of RM1.50 per share.

The estimated listing expenses of RM1,200,000 will be set off against the Share Premium Account.

The Company together with its subsidiary companies and associated company acquired in the above restructuring scheme are hereinafter referred to as the "SKB Shutters Group" or the "Group".

**2.4 SUBSIDIARY COMPANIES****SKBM**

SKBM was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 17 March 1977 under the name of Winhupp Foundry Sdn Berhad. The company assumed its present name, SKB Shutters Manufacturing Sdn Bhd on 10 July 1992.

SKBM is principally involved in the manufacturing and dealing of roller shutters and related steel products.

The authorised ordinary share capital of SKBM is RM4,970,000 comprising 4,970,000 ordinary shares of RM1.00 each, of which RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each have been issued and fully paid up. The authorised cumulative redeemable preference share capital of SKBM is RM30,000 comprising 30,000 cumulative redeemable preference shares of RM1.00 each which have been issued and fully paid up.

Detailed changes in the issued and paid-up share capital of SKBM since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Resultant issued and paid-up share capital RM</b>
<b>Ordinary Shares</b>			
17.3.77	2	Cash	2
27.2.79	50,000	Share swap for the acquisition of Wing Hup Company, Foundry	50,002
31.12.92	1,949,998	Cash	2,000,000
<b>Preference Shares</b>			
30.4.97	30,000	Cash	30,000

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**11.0 ACCOUNTANTS' REPORT (Cont'd)**

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**SKBT**

SKBT was incorporated in Malaysia on 22 April 1992 under the Companies Act, 1965 under the name of Metric Fame Sdn Bhd as a private limited company. The company assumed its present name, SKB Trading Sdn Bhd on 10 July 1992.

The present authorised share capital of SKBT is RM25,000 comprising 25,000 ordinary shares of RM1.00 each, of which RM2 comprising 2 ordinary shares of RM1.00 each have been issued and fully paid up.

SKBT is principally involved in the trading of roller shutter parts and related steel products.

There have been no changes in the share capital since the date of incorporation.

**SKBE**

SKBE was incorporated in Malaysia on 27 September 1995 under the Companies Act, 1965 as a private limited company.

The present authorised share capital of SKBE is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM2 comprising 2 ordinary shares of RM1.00 each have been issued and fully paid up.

SKBE is principally involved in the manufacturing and repairing of motor components, most of which are used in the Group's roller shutters and related steel products.

There have been no changes in the share capital since the date of incorporation.

**2.5 ASSOCIATED COMPANY**

**Rigida**

Rigida was incorporated in Malaysia on 1 September 1992 under the Companies Act, 1965 as a private limited company under the name of Delgrade Sdn Bhd. The company assumed its present name, Rigida (Malaysia) Sdn Bhd on 6 April 1993.

The present authorised share capital of Rigida is RM875,000 comprising 875,000 ordinary shares of RM1.00 each, of which RM550,000 comprising 550,000 ordinary shares of RM1.00 each have been issued and fully paid up.

Rigida is principally involved in the manufacturing of alloy bicycle rims.

**11.0 ACCOUNTANTS' REPORT (Cont'd)****2.5 ASSOCIATED COMPANY (Cont'd)**

Detailed changes in the issued and paid-up share capital of Rigida since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Resultant issued and paid-up share capital RM</b>
1.9.92	2	Cash	2
1.3.93	99,998	Cash	100,000
9.7.93	150,000	Cash	250,000
9.8.93	100,000	Cash	350,000
31.12.93	200,000	Cash	550,000

**3. AUDITED FINANCIAL STATEMENTS AND AUDITORS**

We have been the auditors of SKB Shutters, SKBT and SKBE since their incorporation, and of SKBM from the year ended 31 December 1992. Prior to that financial year, SKBM was audited by another firm of auditors.

The financial statements of Rigida are audited by another firm of auditors.

The financial statements of all the companies within the Group for all the financial years/periods under review have been reported without any qualification in the auditors' reports.

The financial year end of the Group under review for the relevant financial years prior to 1996 was 31 December. The Group changed its financial year end to 30 June in financial year 1996 and for the purpose of this report, the results of the Group have been prorated evenly to reflect the prorated results for 12 months ended 30 June 1996 in the proforma consolidated results of the Group.

**4. ACCOUNTING POLICIES AND STANDARDS**

This report is prepared on a basis consistent with the accounting policies normally adopted by SKB Shutters Group and in compliance with applicable approved accounting standards of the Malaysian Accounting Standards Board.

**11.0 ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARISED PROFORMA CONSOLIDATED RESULTS OF THE GROUP**

5.1 The summarised proforma consolidated results of the SKB Shutters Group for the past 5 financial years ended 30 June 1996 to 2000 have been prepared for illustrative purposes after making such adjustments that we considered necessary and assuming that the SKB Shutters Group had been in existence throughout the years under review.

**SKB SHUTTERS GROUP**

	← Year Ended 30 June →					Two months ended 31 August 2000 RM'000
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	
Revenue	26,352	33,606	28,667	31,232	32,771	5,221
Profit before depreciation and interest	7,054	8,389	5,668	8,430	11,017	1,786
Interest income	20	152	23	20	3	1
Depreciation	(697)	(1,169)	(1,555)	(1,885)	(1,989)	(370)
Interest expense	(234)	(885)	(771)	(441)	(335)	(112)
Operating profit	6,143	6,487	3,365	6,124	8,696	1,305
Share of profits of associated company	102	39	131	274	200	35
Profit before taxation	6,245	6,526	3,496	6,398	8,896	1,340
Taxation	(1,558)	(1,497)	(310)	(330)	(2,108)	(318)
Profit after taxation	4,687	5,029	3,186	6,068	6,788	1,022
No. of ordinary shares of RM1.00 each assumed to be in issue ('000)	40,000	40,000	40,000	40,000	40,000	40,000
Earnings per share ( sen )						
- Gross	15.6	16.3	8.7	16.0	22.2	*20.1
- Net	11.7	12.6	8.0	15.2	17.0	*15.3

\* Annualised

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11.0 ACCOUNTANTS' REPORT (Cont'd)

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Notes :

- i) The proforma consolidated results of the SKB Shutters Group are prepared for illustrative purposes only and are based on the audited financial statements of SKB Shutters, SKBM, SKBT, SKBE and Rigida.
- ii) There were no extraordinary or exceptional items for all the years/period under review.
- iii) Revenue increased from 1996 to 1997 by 28% due to the strong growth in the construction sector. The decrease in revenue in 1998 was mainly due to the slowdown experienced in the construction sector.

However, revenue has subsequently increased and the Group recorded an improved revenue of RM32.8 million in the financial year 2000 largely due to better export market.

- iv) Operating profit remained consistent in all the years under review except for 1998 when the Company was affected by the slowdown in the construction sector. The improvement in the operating profit for 2000 was principally due to the better profit margin derived from certain products.
- v) The disproportionate tax charge in relation to the results of the Group for the financial years 1996 to 1998 and 2000 was mainly due to the availability of tax incentives to a subsidiary company. In 1999, there was no current taxation on the results for the year as the business income derived for that financial year was waived from income tax.
- vi) The gross earnings per share has been calculated based on the profit before taxation and on the assumption that the issued and paid-up share capital of the Group of 40,000,000 ordinary shares of RM1.00 each had been in issue throughout the years under review.

The net earnings per share has been calculated based on the profit after taxation and on the assumption that the issued and paid-up share capital of the Group of 40,000,000 ordinary shares of RM1.00 each had been in issue throughout the years under review.



**11.0 ACCOUNTANTS' REPORT (Cont'd)**

- 5.2 The summarised results of the companies in SKB Shutters Group for the six months ended 30 June 1996, 4 years ended 30 June 1997 to 2000 and two months ended 31 August 2000 are set out below:-

**SKB Shutters**

	Two months ended 31 August 2000 RM'000
Revenue	-
Loss before depreciation and interest	#11
Interest income	-
Depreciation	-
Interest expense	-
Loss before taxation	11
Taxation	-
Loss after taxation	11
No. of ordinary shares of RM1.00 each assumed to be in issue	2
Loss per share ( RM'000 ) - Gross/ Net	*33.0

No income statement has been prepared prior to the period ended 31 August 2000.

# This includes preliminary and pre-operating expenses written off amounting to RM11,402.

\* Annualised

## 11.0 ACCOUNTANTS' REPORT (Cont'd)



## SKBM

	← Year Ended 30 June →					Two months ended 31 August 2000 RM'000
	Six months ended 30 June 1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	
Revenue	14,573	32,701	28,279	30,783	32,025	5,152
Profit before depreciation and interest	3,812	8,425	5,676	8,415	10,893	1,772
Interest income	7	152	23	20	3	1
Depreciation	(410)	(1,169)	(1,555)	(1,885)	(1,989)	(370)
Interest expense	(163)	(885)	(770)	(441)	(335)	(112)
Profit before taxation	3,246	6,523	3,374	6,109	8,572	1,291
Taxation	(872)	(1,457)	(326)	(293)	(2,018)	(303)
Profit after taxation	2,374	5,066	3,048	5,816	6,554	988
No. of ordinary shares of RM1.00 each assumed to be in issue ('000)	2,000	2,000	2,000	2,000	2,000	2,000
Earnings per share (sen)						
- Gross	*324.6	326.1	163.3	300.0	423.2	*387.3
- Net	*237.4	253.3	147.0	285.4	322.3	*296.4
Preference share dividend less 28% tax	-	-	500%	500%	500%	-

\*Annualised

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11.0 ACCOUNTANTS' REPORT (Cont'd)

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**SKBM (Cont'd)**

Note :

- i) There were no extraordinary or exceptional items for all the years/period under review.
- ii) Revenue increased in 1997 due to the strong growth in the construction sector. The decrease in revenue in 1998 was mainly due to the slowdown experienced in the construction sector.

However, revenue has subsequently increased and SKBM recorded an improved revenue of RM32.0 million in the financial year 2000 largely due to better export market.

- iii) Profit before taxation remained consistent in all the years under review except for 1998 when the company was affected by the slowdown in the construction sector. The improvement in the profit for 2000 was principally due to the better profit margin derived from certain products.
- iv) The disproportionate tax charge in relation to the results of the company for the financial years/period 1996 to 1998 and 2000 was mainly due to the availability of tax incentives. In the year of 1999, there was no current taxation on the results for the year as the business income derived for the financial year was waived from income tax.
- v) The gross earnings per share has been calculated based on the profit before taxation but after deducting preference share dividend and on the issued and paid-up share capital of the company of 2,000,000 ordinary shares of RM1.00 each in issue throughout the years/period under review.

The net earnings per share has been calculated based on the profit after taxation and preference share dividend and on the issued and paid-up share capital of the company of 2,000,000 ordinary shares of RM1.00 each in issue throughout the years/period under review.

**11.0 ACCOUNTANTS' REPORT (Cont'd)****SKBT**

	← Year Ended 30 June →					Two months ended 31 August 2000 RM'000
	Six months ended 30 June 1996	1997	1998	1999	2000	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Revenue	1,186	2,802	1,213	1,004	1,652	482
Profit before depreciation and interest	78	15	5	11	111	17
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Profit before taxation	78	15	5	11	111	17
Taxation	(23)	(30)	52	(1)	(34)	(5)
Profit after taxation	55	(15)	57	10	77	12
No. of ordinary shares of RM1.00 each in issue	2	2	2	2	2	2
Earnings/(Loss) per share ( RM'000)						
- Gross	*78.0	7.5	2.5	5.5	55.5	*51.0
- Net	*55.0	(7.5)	28.5	5.0	38.5	*36.0

\* Annualised

Note :

- i) There were no extraordinary or exceptional items for all the years/period under review.
- ii) Revenue decreased substantially in 1998 and 1999 as a result of the slowdown in the construction sector.
- iii) The profit before taxation reflected a substantial decrease in 1997 mainly due to higher material costs.
- iv) There was no dividend declared in the financial years/period under review.
- v) The gross earnings per share has been calculated based on the profit before taxation and on the issued and paid-up share capital of the company of 2 ordinary shares of RM1.00 each in issue throughout the years/period under review.

The net earnings/(loss) per share has been calculated based on the profit/(loss) after taxation and on the issued and paid-up share capital of the company of 2 ordinary shares of RM1.00 each in issue throughout the years/period under review.

## 11.0 ACCOUNTANTS' REPORT (Cont'd)



SKBE

	← Year Ended 30 June →					Two months ended 31 August 2000 RM'000
	Period ended 30 June 1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	
Revenue	-	35	76	24	44	12
(Loss)/Profit before depreciation and interest	-	(51)	(13)	(4)	13	8
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
(Loss)/Profit before taxation	-	(51)	(13)	(4)	13	8
Taxation	-	-	-	-	-	-
(Loss)/Profit after taxation	-	(51)	(13)	(4)	13	8
No. of ordinary shares of RM1.00 each in issue	2	2	2	2	2	2
(Loss)/Earnings per share ( RM'000)						
- Gross/Net	-	(25.5)	(6.5)	(2.0)	6.5	*24.0

\* Annualised

**11.0 ACCOUNTANTS' REPORT (Cont'd)****SKBE (Cont'd)**

Note :

- i) There were no extraordinary or exceptional items for all the years/period under review.
- ii) There was no dividend declared in the financial years/period under review.
- iii) The gross (loss)/earnings per share has been calculated based on the (loss)/profit before taxation and on the issued and paid-up share capital of the company of 2 ordinary shares of RM1.00 each in issue throughout the years/period under review.

The net (loss)/earnings per share has been calculated based on the (loss)/profit after taxation and on the issued and paid-up share capital of the company of 2 ordinary shares of RM1.00 each in issue throughout the years/period under review.

**6. DIVIDENDS**

6.1 There have been no dividends declared or paid by the Group in respect of the financial years/period under review except for SKBM and Rigida.

6.2 Details of the dividends declared or paid by SKBM are as follows :-

<b>Financial Year Ended</b>	<b>Issued and Paid-up Preference Shares of RM1.00 each</b>	<b>Gross Dividend Rate</b>	<b>Net Dividend (RM)</b>
30 June 1998	30,000	500% less 28% tax	108,000
30 June 1999	30,000	500% less 28% tax	108,000
30 June 2000	30,000	500% less 28% tax	108,000

6.3 Details of the dividends declared or paid by Rigida are as follows :-

<b>Financial Year Ended</b>	<b>Issued and Paid-up Ordinary Shares of RM1.00 each</b>	<b>Gross Dividend Rate</b>	<b>Net Dividend (RM)</b>
31 December 1995	550,000	70% less 30% tax	269,500
31 December 1996	550,000	78% less 30% tax	300,300
31 December 1997	550,000	35% less 28% tax	138,600
31 December 1998	550,000	118.18% less 28% tax	468,000
31 December 1999	550,000	200% tax exempt	1,100,000

**11.0 ACCOUNTANTS' REPORT (Cont'd)****7. SUMMARISED BALANCE SHEETS**

The summarised balance sheets of the companies in the SKB Shutters Group based on the audited financial statements are set out below:

**7.1 SKB Shutters**

	← As at 30 June →			As at 31 August 2000
	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Current assets	*	*	*	*
Current liabilities	(273)	(275)	(527)	(559)
Net current liabilities	(273)	(275)	(527)	(559)
Expenditure carried forward	5	7	11	-
Deferred expenditure	268	268	516	548
	*	*	*	(11)
Financed by :				
Share capital	*	*	*	*
Accumulated loss	-	-	-	(11)
	*	*	*	(11)
Net liabilities per ordinary share (RM'000)	(136.5)	(137.5)	(263.5)	(279.5)

\* These denote cash in hand and share capital of RM2.00 each respectively.

Note : SKB Shutters was incorporated on 6 May 1997 and its first set of audited financial statements was for the period ended 30 June 1998.

**11.0 ACCOUNTANTS' REPORT (Cont'd)****7.2 SKBM**

	←	As at 30 June	→		As at	
	1996	1997	1998	1999	2000	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Property, Plant and Equipment	14,259	17,331	25,983	26,540	27,935	28,352
Investment	-	-	-	-	27	27
Current assets	15,776	25,854	33,256	27,370	27,767	29,928
Current liabilities	(21,924)	(26,442)	(35,779)	(24,672)	(19,473)	(19,846)
Net current (liabilities)/ assets	(6,148)	(588)	(2,523)	2,698	8,294	10,082
	<u>8,111</u>	<u>16,743</u>	<u>23,460</u>	<u>29,238</u>	<u>36,256</u>	<u>38,461</u>
Financed by :						
Share capital	2,000	2,030	2,030	2,030	2,030	2,030
Capital reserve	430	430	4,152	4,152	4,152	4,152
Share premium	-	2,970	2,970	2,970	2,970	2,970
Retained profits	4,798	9,864	12,804	18,511	24,957	25,945
Shareholders' funds	7,228	15,294	21,956	27,663	34,109	35,097
Long term liabilities	388	793	413	191	546	1,730
Deferred taxation	495	656	1,091	1,384	1,601	1,634
	<u>8,111</u>	<u>16,743</u>	<u>23,460</u>	<u>29,238</u>	<u>36,256</u>	<u>38,461</u>
Net tangible assets ("NTA") per ordinary share (RM)	3.6	*6.1	*9.5	*12.3	*15.6	*16.0

\* The NTA per share computed excludes the preference share capital and its related share premium amounting to RM3,000,000.



**11.0 ACCOUNTANTS' REPORT (Cont'd)****7.3 SKBT**

	← As at 30 June →					As at 31 August 2000
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Current assets	732	895	812	930	1,170	1,193
Current liabilities	(367)	(545)	(405)	(513)	(676)	(686)
Net current assets	<u>365</u>	<u>350</u>	<u>407</u>	<u>417</u>	<u>494</u>	<u>507</u>
Financed by :						
Share capital	*	*	*	*	*	*
Retained profits	365	350	407	417	494	507
Shareholders' funds	<u>365</u>	<u>350</u>	<u>407</u>	<u>417</u>	<u>494</u>	<u>507</u>
Net tangible assets per ordinary share (RM'000)	182.5	175.0	203.5	208.5	247.0	253.5

\* These denote share capital of RM2.00.

**11.0 ACCOUNTANTS' REPORT (Cont'd)****7.4 SKBE**

	←	As at 30 June	→		As at
	1996	1997	1998	1999	31 August
	RM'000	RM'000	RM'000	RM'000	2000
					RM'000
Current assets	*	*	*	*	13
Current liabilities	(4)	(55)	(64)	(69)	(69)
Net current liabilities	(4)	(55)	(64)	(69)	(56)
Expenditure carried forward	4	4	-	-	-
	<u>*</u>	<u>(51)</u>	<u>(64)</u>	<u>(69)</u>	<u>(56)</u>
Financed by :					
Share capital	*	*	*	*	*
Accumulated losses	-	(51)	(64)	(69)	(56)
Shareholders' funds	<u>*</u>	<u>(51)</u>	<u>(64)</u>	<u>(69)</u>	<u>(56)</u>
Net liabilities per ordinary share (RM'000)	(2.0)	(27.5)	(32.0)	(34.5)	(28.0)
					(24.0)

\* These denote share capital and cash in hand of RM2.00 each.

Note : SKBE was incorporated on 27 September 1995 and its first set of audited financial statements was for the period ended 30 June 1996.

**11.0 ACCOUNTANTS' REPORT (Cont'd)****8. STATEMENT OF ASSETS AND LIABILITIES**

The following is the detailed statement of assets and liabilities of SKB Shutters and of the Proforma SKB Shutters Group which has been prepared for illustrative purposes only and is based on the audited financial statements of the companies in the SKB Shutters Group as at 31 August 2000. The statement of assets and liabilities has been prepared as if the acquisition of SKBM, SKBT, SKBE and Rigida ("Acquisitions), Rights Issue of 15,891,927 ordinary shares of RM1.00 each at an issue price of RM1.00 per share, the Public Issue of 6,150,000 new ordinary shares of RM1.00 each at an issue price of RM1.50 per share and the estimated listing expenses of RM1,200,000 had been effected as at 31 August 2000 and should be read in conjunction with the notes thereon :-

	Note	Company Audited RM'000	(A) Proforma Group After Acquisitions RM'000	(B) After (A) and Rights Issue RM'000	(C) After (B) and Public Issue and Estimated Listing Expenses RM'000
<b>PROPERTY, PLANT AND</b>					
EQUIPMENT	8.2	-	28,604	28,604	28,604
GOODWILL ON CONSOLIDATION		-	48	48	48
INVESTMENT IN AN ASSOCIATED COMPANY		-	348	348	348
OTHER INVESTMENT	8.3	-	27	27	27
<b>CURRENT ASSETS</b>					
Inventories	8.4	-	8,616	8,616	8,616
Trade and other receivables	8.5	-	21,530	21,530	21,530
Cash and cash equivalents		*	387	10,315	18,340
		*	30,533	40,461	48,486
<b>CURRENT LIABILITIES</b>					
Trade and other payables	8.6	559	13,495	13,495	13,495
Bank borrowings		-	5,964	-	-
Provision for taxation		-	1,093	1,093	1,093
		559	20,552	14,588	14,588
NET CURRENT(LIABILITIES)/ASSETS		(559)	9,981	25,873	33,898
DEFERRED EXPENDITURE		548	548	548	548
		(11)	39,556	55,448	63,473
Financed by:					
SHARE CAPITAL	8.7	*	17,958	33,850	40,000
SHARE PREMIUM	8.8	-	105	105	1,980
RETAINED PROFITS/ (ACCUMULATED LOSS)		(11)	15,130	15,130	15,130
SHAREHOLDERS' FUNDS		(11)	33,193	49,085	57,110
HIRE PURCHASE OBLIGATIONS	8.9	-	1,729	1,729	1,729
DEFERRED TAXATION		-	1,634	1,634	1,634
OTHER LIABILITIES		-	3,000	3,000	3,000
		(11)	39,556	55,448	63,473
Net Tangible (Liabilities)/ Assets per ordinary share (RM)		(279,500)	1.82	1.43	1.41

\* These denote cash in hand and share capital of RM2.00 each respectively.



## 8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

### 8.1 Significant Accounting Policies

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

#### (a) Basis of Accounting

The financial statements of the Group are prepared under the historical cost convention, modified by the revaluation of certain properties, and in compliance with applicable approved accounting standards of the Malaysian Accounting Standards Board.

#### (b) Property, Plant and Equipment

Property, plant and equipment are stated at valuation/cost less accumulated depreciation.

Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount will be charged to the income statement.

The carrying amounts of property, 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 recoverable amounts of the assets are estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be 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.

#### (c) Depreciation

Freehold land is not amortised.

Depreciation is calculated to write off the cost of each property, plant and equipment on a straight line basis over its expected useful life.

The principal annual rates used for this purpose are:

Buildings	2%
Plant and machinery	10%
Furniture, fittings, fixtures and equipment	10% - 20%
Motor vehicles	20%

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**11.0 ACCOUNTANTS' REPORT (Cont'd)**

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**(d) Inventories**

Raw materials and work-in-progress are stated at the lower of cost and net realisable value with first-in, first-out cost being the main basis for cost. In arriving at net realisable value, provision is made, where necessary, for obsolete and slow-moving items.

Work-in-progress includes cost of raw materials, direct labour and an appropriate allocation of manufacturing overheads. The cost of raw materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

**(e) Taxation**

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

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

**(f) Foreign Currency**

Transactions in foreign currencies are translated into Ringgit Malaysia at rates approximating those ruling at transaction dates. Monetary assets and liabilities in foreign currencies are translated into Ringgit Malaysia at the foreign exchange rates ruling at that date. Where forward exchange contracts have been arranged in respect of assets and liabilities, the contracted rates of exchange are used. Foreign currency differences arising from translation are recognised in the income statement.

The closing rates used in translation are as follows :

USD	RM3.80
SGD	RM2.20
AUS	RM2.27

**(g) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

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**11.0 ACCOUNTANTS' REPORT (Cont'd)**

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**(h) Net Financing Costs**

Net financing costs comprise interest payable on borrowings and interest receivable on funds invested.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

All interest and other costs incurred in connection with borrowings are expensed off as incurred as part of net financing cost.

**(i) Investments**

Long term investments are stated at cost. A provision is made when the Directors are of the view that there is a permanent diminution in their value.

**(j) Revenue**

Revenue from sale of goods is measured at the fair value of consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

**(k) Hire Purchase**

Property, plant and equipment acquired under hire purchase are capitalised and the corresponding obligations recorded as a liability. Finance charges are allocated to the income statement over the hire purchase period based on the sum-of-digits method.

**(l) Basis of Consolidation**

The Proforma Group financial statements include the audited financial statements of the Company and its subsidiary companies made up to 31 August 2000 on the assumption that the restructuring of SKB Shutters Group as stated in paragraph 2.3 had been effected as at 31 August 2000. The financial statements of the subsidiary companies are consolidated using the merger method of accounting in accordance with the provisions of Malaysian Accounting Standard No. 2 except SKBE which is consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the date of disposal as appropriate. The difference between the acquisition cost and the fair value of the net assets of the subsidiary companies acquired is reflected as goodwill or reserve on consolidation, as appropriate.

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**11.0 ACCOUNTANTS' REPORT (Cont'd)**

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**(l) Basis of Consolidation (Cont'd)**

Under the merger method of accounting, the results of the Company and the subsidiary companies are presented as if the companies had been combined throughout the current period and previous financial years. The difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiary company acquired is taken to merger reserve. Any merger debit arising is written off against reserves and unappropriated profits.

Inter-company balances and transactions are eliminated on consolidation and the Proforma Group financial statements reflect external transactions only.

**(m) Deferred Expenditure**

Deferred expenditure comprises listing expenses that will be written off against share premium account upon completion of the listing exercise.

## 11.0 ACCOUNTANTS' REPORT (Cont'd)



## 8.2 PROPERTY, PLANT AND EQUIPMENT - PROFORMA GROUP

Valuation/Cost	At valuation		At cost					Total RM'000
	Freehold land RM'000	Buildings RM'000	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, fixtures and equipment RM'000	Motor vehicles RM'000	
At 1 July 2000	7,000	7,000	1,676	2,321	12,638	1,293	2,744	34,672
Additions	-	-	-	67	711	9	-	787
Transfers	1,676	2,260	(1,676)	(2,260)	-	-	-	-
Revaluation	(96)	(5)	-	-	-	-	-	(101)
At 31 August 2000	8,580	9,255	-	128	13,349	1,302	2,744	35,358
Accumulated Depreciation								
At 1 July 2000	-	411	-	88	3,874	921	1,443	6,737
Charge for the period	-	23	-	8	225	27	87	370
Transfers	-	92	-	(92)	-	-	-	-
Revaluation	-	(353)	-	-	-	-	-	(353)
At 31 August 2000	-	173	-	4	4,099	948	1,530	6,754
Net Book Value								
At 31 August 2000	8,580	9,082	-	124	9,250	354	1,214	28,604



**11.0 ACCOUNTANTS' REPORT (Cont'd)****8.2 PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

The freehold land and buildings are shown at directors' valuation based on a valuation exercise carried out in 2000 by an independent firm of professional valuers on an open market value basis.

Subsequent acquisitions are shown at cost while deletions are at valuation or cost as appropriate.

The net book values of those revalued properties stated at their original cost less accumulated depreciation are as follows:

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land	5,606	-	5,606
Buildings	8,853	755	8,098
	<u>14,459</u>	<u>755</u>	<u>13,704</u>

Included in the net book value of plant and equipment is an amount of RM3,211,271 representing assets acquired under hire purchase instalment plans.

**8.3 INVESTMENT – PROFORMA GROUP**

	RM'000
Quoted shares in Malaysia	<u>27</u>
Market value of quoted shares	<u>31</u>

**8.4 INVENTORIES – PROFORMA GROUP**

	RM'000
Raw materials	8,245
Work-in-progress	371
	<u>8,616</u>

**11.0 ACCOUNTANTS' REPORT (Cont'd)****8.5 TRADE AND OTHER RECEIVABLES – PROFORMA GROUP**

	RM'000
Trade receivables	21,637
Less: Provision for doubtful receivables	(1,682)
	<u>19,955</u>
Other receivables	1,575
	<u>21,530</u>

**8.6 TRADE AND OTHER PAYABLES – PROFORMA GROUP**

	RM'000
Trade payables	4,455
Other payables	9,040
	<u>13,495</u>

**8.7 SHARE CAPITAL**

	The Company RM'000	Proforma Group RM'000
Ordinary shares of RM1 each		
Authorised:	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
Balance at 31 August 2000	*	*
Issued as consideration for the acquisition of		
- subsidiary companies	-	17,715
- associated company	-	243
	<u>*</u>	<u>17,958</u>
Rights issue	-	15,892
	<u>*</u>	<u>33,850</u>
Public issue	-	6,150
	<u>*</u>	<u>40,000</u>

\* Denotes share capital of RM2.00

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**11.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.8 SHARE PREMIUM (Non-distributable) – PROFORMA GROUP**

The share premium account arose from the issue of shares in Rigida and the public issue net of listing expenses of RM1.2 million.

**8.9 HIRE PURCHASE OBLIGATIONS – PROFORMA GROUP**

	RM'000
Gross amount payable	3,165
Less : Unexpired interest	(483)
	<u>2,682</u>
Less : Amount repayable within 1 year included under other payables	(953)
	<u><u>1,729</u></u>

**8.10 CAPITAL COMMITMENT – PROFORMA GROUP**

	RM'000
Property, plant and equipment Contracted but not provided for	<u><u>6,218</u></u>

**8.11 CONTINGENT LIABILITIES, unsecured – PROFORMA GROUP**

A claim of approximately RM400,000 together with the interest thereon was made by a vendor of a subsidiary company for the outstanding amount owing to the said vendor.

A counterclaim of approximately RM400,000 was also made by the subsidiary company against the said vendor for losses and damages suffered due to the incorrect specification of the machinery supplied by the vendor.

The directors are of the opinion that the claim made by the vendor will not materialise and it will not materially affect the operating and financial position of the Group.

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**11.0 ACCOUNTANTS' REPORT (Cont'd)**

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**8.12 SUBSEQUENT EVENTS**

As approved by the shareholders via a Members Circular Resolution dated 6 February 2001, the authorised share capital of the Company was increased from RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM50,000,000 by the creation of an additional 49,900,000 ordinary shares of RM1.00 each.

On 12 February 2001, the Company signed an underwriting agreement with Perdana Merchant Bankers Berhad and Hwang-DBS Securities Berhad for the underwriting of 4,739,000 ordinary shares of RM1.00 each of the Company at an issue price of RM1.50 per ordinary share.

The following, forming part of the restructuring scheme, were completed.

**(I) Acquisitions**

- (i) Acquisition of the entire issued and fully paid-up share capital in SKBM by SKB Shutters comprising 2,000,000 ordinary shares of RM1.00 each for a total consideration of RM24,914,804 to be satisfied by the issue of 17,422,940 new ordinary shares of RM1.00 each, at RM1.43 per share in SKB Shutters. The purchase consideration is based on the adjusted net tangible assets of SKBM after accounting for the revaluation surplus of RM251,661.
- (ii) Acquisition of the entire issued and fully paid-up share capital in SKBT by SKB Shutters comprising 2 ordinary shares of RM1.00 each for a total consideration of RM417,276 to be satisfied by the issue of 291,801 new ordinary shares of RM1.00 each, at RM1.43 per share in SKB Shutters.
- (iii) Acquisition of the entire issued and fully paid-up share capital in SKBE by SKB Shutters comprising 2 ordinary shares of RM1.00 each for a total consideration of RM2 to be satisfied by cash.
- (iv) Acquisition of 20% of the issued and fully paid-up share capital in Rigida by SKB Shutters for a purchase consideration of RM347,962 to be satisfied by the issue of 243,330 new ordinary shares of RM1.00 each, at RM1.43 per share in SKB Shutters.

The above acquisitions were completed on 6 February 2001.

**(II) Rights Issue**

Rights Issue of 15,891,927 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share, for cash on the basis of 100 new ordinary shares for every 113 existing ordinary shares held, based on the enlarged share capital of 17,958,073 ordinary shares of RM 1.00 each in SKB Shutters.

The rights issue was completed on 19 February 2001.

**11.0 ACCOUNTANTS' REPORT (Cont'd)****8.12 SUBSEQUENT EVENTS (Cont'd)**

With the completion of the above, the issued and fully paid-up share capital of the Company was increased from RM2 comprising 2 ordinary shares of RM1 each to RM33,850,000 comprising 33,850,000 ordinary shares of RM1 each. The newly issued ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

**8.13 NET TANGIBLE ASSETS PER ORDINARY SHARE**

Based on the statement of assets and liabilities of the Proforma SKB Shutters Group as at 31 August 2000, the net tangible assets cover per share after acquisitions, rights issue and public issue is calculated as follows: -

	RM '000
Net tangible assets per the proforma Group's statement of assets and liabilities	<u>56,514</u>
Number of ordinary shares of RM1.00 each in issue ('000)	<u>40,000</u>
Net tangible assets cover per ordinary share of RM1.00 each (RM)	<u>1.41</u>

## 11.0 ACCOUNTANTS' REPORT (Cont'd)



9. PROFORMA CONSOLIDATED CASH FLOW STATEMENT FOR THE TWO MONTH PERIOD ENDED 31 AUGUST 2000

SKB SHUTTERS CORPORATION BERHAD  
AND ITS SUBSIDIARY COMPANIES

	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from trade receivables	3,851
Cash receipts from other receivables	(176)
Cash received from operating activities	3,675
Cash payments to trade and non-trade payables	(4,850)
Payment of taxes	(41)
Cash absorbed by operating activities	(4,891)
Net cash used in operating activities	(1,216)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property, plant and equipment	(788)
Interest income	1
Net cash used in investing activities	(787)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from the utilisation of bank borrowings, net	401
Proceeds from refinancing of plant and equipment	1,970
Repayment of hire purchase obligations	(204)
Interest paid	(113)
Net cash generated from financing activities	2,054
Net increase in cash and cash equivalents	51
<b>Cash and cash equivalents at beginning of period</b>	<b>(2,357)</b>
<b>Cash and cash equivalents at end of period</b>	<b>(2,306)</b>

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

	RM'000
Cash and bank balances	387
Bank overdrafts	(2,693)
	<u>(2,306)</u>

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11.0 ACCOUNTANTS' REPORT (Cont'd)

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10. FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 August 2000.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ng Yee Weng'.

KPMG  
Firm No : AF : 0758  
Public Accountants

A larger handwritten signature in black ink, appearing to read 'Ng Yee Weng'.

Ng Yee Weng  
Partner  
Approval Number : 1414/03/02 (J/PH)