

10. ACCOUNTANTS' REPORT (cont'd)**Turnover - By Markets**

	← Year ended 31st December →					9 months ended
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>30.9.2000</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Malaysia	9,122	20,514	21,486	21,506	26,422	24,503
Japan	7,818	17,155	16,066	20,446	42,253	18,533
Thailand	5,059	7,293	6,591	5,679	6,557	5,792
Middle East	3,909	5,556	9,063	7,383	7,285	11,583
Singapore	2,070	2,153	4,531	1,136	1,457	1,158
Hong Kong & China	1,610	417	2,060	5,111	1,821	1,448
Korea	1,150	417	412	1,704	1,457	1,158
Europe	690	868	1,236	6,247	7,285	14,479
USA	-	-	-	3,976	-	-
Philippines	-	-	-	-	728	579
Others	689	868	1,235	5,112	4,007	3,186
	32,117	55,241	62,680	78,300	99,272	82,419

Operating Profit - By Markets

	← Year ended 31st December →					9 months ended
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>30.9.2000</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Malaysia	2,492	5,657	6,143	4,801	3,689	3,205
Japan	1,559	3,002	3,003	3,520	7,953	3,548
Thailand	149	36	112	12	119	124
Middle East	115	28	154	16	133	248
Singapore	102	54	167	25	56	48
Hong Kong & China	80	10	76	113	70	60
Korea	57	10	15	38	56	48
Europe	124	135	206	951	1,225	2,482
USA	-	-	-	486	-	-
Philippines	-	-	-	-	64	53
Others	68	65	108	370	353	291
	4,746	8,997	9,984	10,332	13,718	10,107

10. ACCOUNTANTS' REPORT (cont'd)

*Notes:-*

- (a) The increase in turnover and operating profit in 1996 was due to the incorporation of the full year's operation of ABSarawak and the turnover of ABSawmill's log extraction and trading activities. In the same year, the sales to Japan had increased by RM9.3 million due to higher demand of moulding timber.
- (b) Increased production of moulding timber in ABSabah contributed to the improved turnover for 1997. The export sales to Middle East had increased from RM5.5 million in 1996 to RM9 million in 1997 due to higher demand for certain mixed wood species. The sales to Japan, Hong Kong & China and Europe increased further in 1998 due mainly to higher demand for moulding timber from these countries.
- (c) The decrease in the operating profit for the sale of sawn timber in 1998 was due to the higher cost of sales for purchased sawn timbers. The increase in production and sale of moulding timber had increased the overall operating profit in 1997 and 1998.
- (d) Increased trading of sawn and moulding timber contributed to the turnover increase in 1999. Increase in sales to Japan in 1999 was due mainly to higher demand of moulding timber and sawn timber from this country. Turnover for the first nine months of 2000 increased compared to the pro-rated turnover in the previous year due mainly to the increase in sales of sawn timber and timber logs. The sales to Europe for the nine months ended 30th September 2000 had increased due to the Group's increased efforts in exporting to this region. In addition, the certification by an independent assessor of the Group's (through ABSawmill) compliance to sustainable forest management requirements has enable the Group to increase its exports to countries in this region which are strong advocates for environmental lobbying. In the same period, the exports to Japan had decreased due to lower demand of moulding timber from this country.
- (e) Operating profit for the nine months ended 30th September 2000 decreased marginally when compared to the pro-rated profit achieved in 1999 due mainly to a drop in gross profit margin for the sale of sawn timber.

10. ACCOUNTANTS' REPORT (cont'd)**6 DIVIDENDS**

Aikbee and ABSawmill have not declared and paid any dividends since its incorporation.

Details of dividends declared and paid by ABSabah and ABSarawak are as follows:-

	Issued and paid-up share <u>capital</u> RM'000	<u>Gross dividend rate</u>	Net dividend <u>paid</u> RM'000
ABSabah			
Year ended			
31st December 1995	3,931	10 sen less tax at 30%	275
31st December 1997	3,931	190 sen less tax at 28%	5,378
31st December 1998	3,931	200 sen less tax at 28%	5,661
 ABSarawak			
Year ended			
31st December 1997	3,000	50 sen less tax at 28%	1,080
31st December 1998	3,000	40 sen less tax at 28%	864

Except as shown above, no dividend has been paid or declared for other years / periods under review.

10. ACCOUNTANTS' REPORT (cont'd)**7 SUMMARISED BALANCE SHEETS**

We set out below the summarised audited balance sheets of each of the companies within the Aikbee Group for the relevant financial years / periods as follows:

(a) Aikbee

	Period / Year ended 31st December			As at
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>30.9.2000</u>
	RM	RM	RM	RM
Deferred Expenditure	24,287	346,993	581,543	669,569
Current Assets	2	2	-	-
Current Liabilities	<u>(24,287)</u>	<u>(346,993)</u>	<u>(581,541)</u>	<u>(669,567)</u>
Net Current Liabilities	<u>(24,285)</u>	<u>(346,991)</u>	<u>(581,541)</u>	<u>(669,567)</u>
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Financed by:-				
Share Capital	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Net tangible liabilities per ordinary share of RM1.00 each	<u>(12,143)</u>	<u>(173,496)</u>	<u>(290,771)</u>	<u>(334,784)</u>

Notes:

Aikbee was incorporated on 25th April 1997 and its first set of accounts was prepared for the period ended 31st December 1997.

The deferred expenditure is stated at cost and consists of listing and other related expenses. This expenditure is deferred until the completion of the listing exercise and will be written off against the share premium account arising from the public issue.

10. ACCOUNTANTS' REPORT (cont'd)**(b) ABSabah**

	← Year ended 31st December →				As at	
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>30.9.2000</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Property, Plant and Equipment	2,878	5,042	9,852	8,953	8,639	9,164
Current Assets	18,722	25,734	36,447	48,600	51,440	52,261
Current Liabilities	(13,709)	(18,517)	(33,918)	(45,567)	(35,848)	(32,883)
Net Current Assets	<u>5,013</u>	<u>7,217</u>	<u>2,529</u>	<u>3,033</u>	<u>15,592</u>	<u>19,378</u>
	<u>7,891</u>	<u>12,259</u>	<u>12,381</u>	<u>11,986</u>	<u>24,231</u>	<u>28,542</u>
Financed by:-						
Share Capital	3,931	3,931	3,931	3,931	3,931	3,931
Retained Profit	3,656	7,996	6,718	7,195	15,986	21,034
Shareholders' Funds	<u>7,587</u>	<u>11,927</u>	<u>10,649</u>	<u>11,126</u>	<u>19,917</u>	<u>24,965</u>
Long Term and Deferred Liabilities	<u>304</u>	<u>332</u>	<u>1,732</u>	<u>860</u>	<u>4,314</u>	<u>3,577</u>
	<u>7,891</u>	<u>12,259</u>	<u>12,381</u>	<u>11,986</u>	<u>24,231</u>	<u>28,542</u>
Net tangible assets per ordinary share of RM1.00 each	<u>1.93</u>	<u>3.03</u>	<u>2.71</u>	<u>2.83</u>	<u>5.07</u>	<u>6.35</u>

10. ACCOUNTANTS' REPORT (cont'd)**(c) ABSarawak**

	← Year ended 31st December →				As at	
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>30.9.2000</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Property, Plant and Equipment	10,910	13,160	13,062	12,604	11,873	11,769
Current Assets	3,517	11,627	13,379	12,390	18,380	24,757
Current Liabilities	(8,730)	(16,981)	(19,286)	(18,039)	(20,669)	(25,825)
Net Current Liabilities	(5,213)	(5,354)	(5,907)	(5,649)	(2,289)	(1,068)
	<u>5,697</u>	<u>7,806</u>	<u>7,155</u>	<u>6,955</u>	<u>9,584</u>	<u>10,701</u>
Financed by:-						
Share Capital	3,000	3,000	3,000	3,000	3,000	3,000
Retained Profit	21	1,483	1,558	1,567	4,494	5,635
Shareholders' Funds	<u>3,021</u>	<u>4,483</u>	<u>4,558</u>	<u>4,567</u>	<u>7,494</u>	<u>8,635</u>
Long Term and Deferred Liabilities	<u>2,676</u>	<u>3,323</u>	<u>2,597</u>	<u>2,388</u>	<u>2,090</u>	<u>2,066</u>
	<u>5,697</u>	<u>7,806</u>	<u>7,155</u>	<u>6,955</u>	<u>9,584</u>	<u>10,701</u>
Net tangible assets per ordinary share of RM1.00 each	<u>1.01</u>	<u>1.49</u>	<u>1.52</u>	<u>1.52</u>	<u>2.50</u>	<u>2.88</u>

10. ACCOUNTANTS' REPORT (cont'd)**(d) ABSawmill**

	← Year ended 31st December →					As at
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>30.9.2000</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Property, Plant and Equipment	6,480	6,679	6,500	6,375	6,189	6,505
Current Assets	7,053	7,884	7,490	10,545	13,765	17,216
Current Liabilities	(8,891)	(9,773)	(9,113)	(12,081)	(14,709)	(18,563)
Net Current Liabilities	(1,838)	(1,889)	(1,623)	(1,536)	(944)	(1,347)
	<u>4,642</u>	<u>4,790</u>	<u>4,877</u>	<u>4,839</u>	<u>5,245</u>	<u>5,158</u>
Financed by:-						
Share Capital	605	605	605	605	605	605
Capital Reserves	3,169	3,169	3,169	3,169	3,169	3,169
Accumulated Losses	(3,012)	(2,593)	(2,219)	(1,973)	(1,399)	(1,141)
Shareholders' Funds	762	1,181	1,555	1,801	2,375	2,633
Long Term and Deferred Liabilities	3,880	3,609	3,322	3,038	2,870	2,525
	<u>4,642</u>	<u>4,790</u>	<u>4,877</u>	<u>4,839</u>	<u>5,245</u>	<u>5,158</u>
Net tangible assets per ordinary share of RM1.00 each	1.26	1.95	2.57	2.98	3.93	4.35

10. ACCOUNTANTS' REPORT (cont'd)**8 PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The following is a detailed proforma statement of assets and liabilities of Aikbee Group based on the audited accounts as at 30th September 2000. The statement is to be read in conjunction with the notes thereon.

	Notes	Company RM'000	Proforma Group RM'000
PROPERTY, PLANT AND EQUIPMENT	10.3	-	54,889
CURRENT ASSETS			
Inventories	10.4	-	26,053
Trade debtors	10.5	-	18,019
Other debtors, deposit and prepayments	10.6	-	32,331
Deposits, cash and bank balances		-	8,654
		<u>-</u>	<u>85,057</u>
CURRENT LIABILITIES			
Trade creditors		-	6,895
Other creditors and accruals		670	6,773
Hire purchase creditors	10.7	-	511
Amount owing to directors	10.8	-	556
Bank borrowings	10.9	-	20,947
Taxation		-	12,263
		<u>670</u>	<u>47,945</u>
NET CURRENT (LIABILITIES)/ASSETS		(670)	37,112
DEFERRED EXPENDITURE	10.10	670	-
		<u>-</u>	<u>92,001</u>
Financed by :-			
SHARE CAPITAL	10.11	*	50,000
SHARE PREMIUM	10.12	-	26,842
RESERVE ON CONSOLIDATION		-	6,992
SHAREHOLDERS' FUNDS		<u>-</u>	<u>83,834</u>
LONG TERM AND DEFERRED LIABILITIES	10.13	-	8,167
		<u>-</u>	<u>92,001</u>
Net tangible (liabilities) / assets per share (RM)		<u>(334,784)</u>	<u>1.68</u>

* The issued and fully paid-up share capital consists of 2 ordinary shares of RM1.00 each.

10. ACCOUNTANTS' REPORT (cont'd)**9 PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

The proforma consolidated cash flow statement of Aikbee Group for the nine months ended 30th September 2000 set out below has been prepared for illustrative purposes only on the assumption that the restructuring scheme as mentioned under section 2.3 of this report had been effected on 31st December 1999.

The proforma consolidated cash flow statement has been prepared based on the audited accounts of Aikbee, ABSabah, ABSarawak and ABSawmill for the year ended 31st December 1999 and for the nine months ended 30th September 2000 after incorporating the proposed utilisation of proceeds from the Rights Issue and Public Issue.

	Note	Proforma Group RM '000
NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit before taxation		9,960
Adjustments for:-		
Depreciation		1,663
Interest expenses		2,372
Deferred expenditure incurred		(88)
Provision for doubtful debts		27
		<hr/>
Operating profit before changes in working capital		13,934
Increase in inventories		(15,153)
Decrease in trade debtors and other receivables		13,620
Decrease in trade creditors and other payables		(2,101)
		<hr/>
Net cashflow generated from operating activities		10,300
Tax paid		(699)
Interest paid		(2,214)
		<hr/>
		7,387
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment		6
Purchase of property, plant and equipment	10.14	<hr/> (4,592)
		<hr/> (4,586)

10. ACCOUNTANTS' REPORT (cont'd)**PROFORMA CONSOLIDATED CASH FLOW STATEMENT - continue**

	Note	Proforma Group RM '000
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		
Net banker's acceptance received		4,629
Repayment of term loan		(2,164)
Hire purchase instalments		(1,137)
Hire purchase interest		(158)
Advances from directors		<u>254</u>
		<u>1,424</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
		4,225
Cash and cash equivalents at beginning of period		<u>3,051</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10.14	<u><u>7,276</u></u>

10. ACCOUNTANTS' REPORT (cont'd)

**10 NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES****10.1 BASIS OF PRESENTATION**

The proforma group statement has been prepared solely to illustrate the financial position of the Group had the acquisition of the entire issued and paid-up capital of ABSabah, ABSarawak and ABSawmill by Aikbee in exchange for shares in Aikbee, and the subsequent Rights Issue and Public Issue and utilisation of proceeds from shares issued have been effected as at 30th September 2000.

10.2 SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those normally adopted by Aikbee Group.

(a) Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention modified by the revaluation of land and buildings and comply with applicable approved Accounting Standards of the Malaysian Accounting Standards Board ("MASB").

(b) Basis of Consolidation

The proforma Group financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial period. All the subsidiary companies are consolidated based on the acquisition method of accounting.

The difference between the cost of investments and the fair value of the net assets of the subsidiary companies acquired is included in the consolidated financial statements as goodwill or reserve arising on consolidation, where appropriate.

All inter-company transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.

(c) Investments

Investments in subsidiary companies and other investments are stated at cost and are only written down when the directors consider that there is a permanent diminution in the value of the investments.

10. ACCOUNTANTS' REPORT (cont'd)**(d) Property, Plant and Equipment**

Land and buildings are stated at valuation except for building constructed on land held under Temporary Occupation Licence. The cost of other property, plant and equipment comprises their purchase cost and any incidental costs of acquisition.

Freehold land is not depreciated. Leasehold land is amortised over the period of the lease. Depreciation of other property, plant and equipment is calculated so as to write off their cost or valuation on a straight line method over the estimated useful lives of the assets concerned.

The principal annual rates used are :-

Buildings	2% - 10%
Plant and machinery	10% - 20%
Motor vehicles	20%
Office equipment	10% - 20%
Furniture and fittings	5% - 20%
Electrical installation	7.5%
Jetty	2%

Revaluation of land and buildings is undertaken every 5 years. Surplus arising from revaluation is credited directly to revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is charged to the income statement.

(e) Inventory

Inventories are valued at the lower of cost and net realisable value and cost is calculated using the weighted average method or the specific identification method.

The cost components in respect of the various categories of inventories are as follows:-

Raw materials

- Cost of logs purchases and transportation.

Finished goods and work-in-progress

- Direct materials, direct labour, and attributable production overheads.

10. ACCOUNTANTS' REPORT *(cont'd)*



(f) Deferred Taxation

Provision is made using the liability method for taxation which is deferred due to timing differences except where such differences are not expected to reverse in the foreseeable future. Where timing differences result in a debit balance, this is recognised only where there is a reasonable certainty of realisation.

(g) Hire Purchase

Assets acquired under hire purchase arrangement are capitalised as property, plant and equipment based on the principal sum of the hire purchase and the corresponding obligations are taken up as hire purchase creditor.

The interest element is charged to Income Statement over the period of the respective arrangement.

(h) Planting Expenditure

Planting expenditure comprises cost of clearing, preparing the ground, cost of additional roads, bridges and seeding in relation to establishing a new rootstock.

The expenditure is capitalised and will be amortised over the useful life of the rootstock upon its maturity.

(i) Foreign Currencies Transactions

Foreign currencies transactions have been converted into Ringgit Malaysia at the rates of exchange ruling at the dates of the transactions. Assets and liabilities in foreign currencies at balance sheet date have been converted into Ringgit Malaysia at the rates of exchange ruling at that date. Gains or losses resulting from the year's operations are dealt with through the income statement.

10. ACCOUNTANTS' REPORT (cont'd)
10.3 PROPERTY, PLANT AND EQUIPMENT
Proforma Group

	Valuation / Cost				
	At beginning of period RM'000	Addition RM'000	Disposal RM'000	Revaluation RM'000	At end of period RM'000
<u>At valuation :-</u>					
Freehold land	-	-	-	310	310
Long leasehold land	-	84	-	17,595	17,679
Buildings	-	-	-	27,065	27,065
<u>At cost :-</u>					
Freehold land	291	-	-	(291)	-
Long leasehold land	7,176	-	-	(7,176)	-
Buildings	17,203	-	-	(15,793)	1,410
Plant and machinery	10,917	2,501	(16)	-	13,402
Motor vehicles	2,949	2,023	(69)	-	4,903
Office equipment	232	176	(14)	-	394
Electrical installation	291	-	-	-	291
Jetty	510	-	-	-	510
Furniture and fittings	58	88	-	-	146
Planting expenditure	-	78	-	-	78
	<u>39,627</u>	<u>4,950</u>	<u>(99)</u>	<u>21,710</u>	<u>66,188</u>

10. ACCOUNTANTS' REPORT (cont'd)

	Accumulated Depreciation				Net Book Value RM'000
	At beginning of period RM'000	Charge for the period RM'000	Disposal RM'000	Revaluation RM'000	
Assets at valuation :-					
Freehold land	-	-	-	-	310
Long leasehold land	-	-	-	-	17,679
Buildings	-	-	-	-	27,065
Assets at cost :-					
Long leasehold land	684	-	-	(684)	-
Buildings	3,476	105	-	(2,512)	341
Plant and machinery	5,912	1,024	(12)	-	6,478
Motor vehicles	2,532	473	(67)	-	1,965
Office equipment	133	25	(14)	-	250
Electrical installation	128	21	-	-	142
Jetty	31	8	-	-	471
Furniture and fittings	29	7	-	-	110
Planting expenditure	-	-	-	-	78
	<u>12,925</u>	<u>1,663</u>	<u>(93)</u>	<u>(3,196)</u>	<u>11,299</u>
					<u>54,889</u>

(a) Included in the above are the following plant and vehicle acquired under hire-purchase arrangements:-

Cost RM'000	Accumulated depreciation RM'000	Net book value	
		RM'000	Current depreciation RM'000
1,676	541	1,135	172
859	398	461	97
<u>2,535</u>	<u>939</u>	<u>1,596</u>	<u>269</u>

(b) Land and buildings of the Group except for building constructed on land held under Temporary Occupation Licence are stated at directors' valuation based on professional valuations on the open market value basis conducted in 1999 and approved by Securities Commission on 28th September 2000.

The net book value of the land and buildings at valuation had they been stated at cost would have been RM 20,062,949.

10. ACCOUNTANTS' REPORT (cont'd)

10.4 INVENTORIES	Proforma Group RM'000
Finished goods	18,330
Raw materials	7,337
Stores and spares	386
	<u>26,053</u>

10.5 TRADE DEBTORS	Proforma Group RM'000
Balance as at 30-9-2000	18,268
Provision for doubtful debts	(249)
	<u>18,019</u>

10.6 OTHER DEBTORS, DEPOSIT AND PREPAYMENTS

Other debtors consist mainly of advance payments made to suppliers of timber logs.

10.7 HIRE-PURCHASE CREDITORS

	Proforma Group RM'000
Amount due under hire purchase	1,029
Less : Unexpired interest	<u>(152)</u>
	877
Amount repayable within one year (included under current liabilities)	<u>(511)</u>
Amount repayable after one year (included under long term liabilities - Note 10.13)	<u>366</u>

10.8 AMOUNT OWING TO DIRECTORS

No fixed terms of repayment have been arranged for this interest free and unsecured balance.

10. ACCOUNTANTS' REPORT (cont'd)

10.9 BANK BORROWINGS	Proforma Group RM'000
<u>Secured</u>	
Bank overdraft	1,378
Bankers' acceptance	14,422
Term loans - repayable within one year (Note 10.13(i))	656
	<u>16,456</u>
<u>Unsecured</u>	
Bankers' acceptance	4,491
	<u>20,947</u>

The secured portion of the bank borrowings are secured by way of legal charges over the landed properties and certain assets of the subsidiary companies, properties belonging to third parties and are jointly and severally guaranteed by directors of the subsidiary companies.

Interest on bankers' acceptance is payable at 4.55% to 5.3% per annum and interest on other bank borrowings is payable at rates ranging from 2.0% to 2.5% per annum above the banks' base lending rates.

10.10 DEFERRED EXPENDITURE

Deferred expenditure is stated at cost and consists of listing and other related expenses. This expenditure is written off against the share premium account.

10.11 SHARE CAPITAL

	RM'000
Ordinary shares of RM1.00 each	
Authorised	<u>100,000</u>
Issued and fully paid-up	
As at 30th September 2000	*
Issued as consideration for the Acquisitions	37,719
Rights Issue	4,281
Public Issue	8,000
	<u>50,000</u>

* Being two fully paid-up ordinary shares of RM 1.00 each

10. ACCOUNTANTS' REPORT (cont'd)**10.12 SHARE PREMIUM**

Proforma
Group
RM'000

Arising from the Acquisitions	16,974
Arising from Rights Issue	2,568
Arising from Public Issue	8,800
Less : Listing expenses	(1,500)
	<u>26,842</u>

10.13 LONG TERM AND DEFERRED LIABILITIES

Proforma
Group
RM'000

Term loans	7,272
Hire purchase creditors (Note 10.7)	366
Deferred taxation	529
	<u>8,167</u>

i) Term loans (secured)

RM'000

Term loans	7,928
Less : Amount repayable within one year (included under current liabilities - Note 10.9)	(656)
Amount repayable after one year	<u>7,272</u>

The contractual terms and security arrangements of term loans are detailed in Note 10.9 to the accounts.

ii) Deferred taxation

RM'000

At beginning of period	424
Transfer to income statement	105
At end of period	<u>529</u>

10. ACCOUNTANTS' REPORT (cont'd)**10.14 NOTES TO THE CASH FLOW STATEMENT**

(a) Purchase of property, plant and equipment

The property, plant and equipment purchased during the period were by the following means:-

	Proforma Group RM'000
Cash payment	4,592
Hire-purchase financing	358
	<u>4,950</u>

Property, plant and equipment purchased by hire-purchase financing are reflected as cash flow from financing activities based on the principal amount of instalments made.

(b) Cash and cash equivalents

	Proforma Group RM'000
Deposits, cash and bank balances	8,654
Bank overdraft (Note 10.9)	(1,378)
Cash and cash equivalents at end of period	<u>7,276</u>

11 SUBSEQUENT EVENTS

- (i) On 12th October 2000, the authorised share capital of Aikbee was increased to RM 100,000,000 with the creation of an additional 99,900,000 new ordinary shares of RM 1.00 each.
- (ii) On 20th December 2000, the following, forming part of the restructuring scheme, were completed:
- (a) The acquisition by Aikbee of the entire issued and paid-up share capital of ABSabah comprising 3,931,200 ordinary shares of RM 1.00 each for a purchase consideration of RM 22,744,804 satisfied by the issuance of 15,686,073 new ordinary shares of RM 1.00 each in Aikbee at an issue price of RM 1.45 per share, credited as fully paid-up.

10. ACCOUNTANTS' REPORT (cont'd)**11 SUBSEQUENT EVENTS - continue**

- (b) The acquisition by Aikbee of the entire issued and paid-up share capital of ABSarawak comprising 3,000,000 ordinary shares of RM 1.00 each for a purchase consideration of RM 15,573,103 satisfied by the issuance of 10,740,071 new ordinary shares of RM 1.00 each in Aikbee at an issue price of RM 1.45 per share, credited as fully paid-up.
- (c) The acquisition by Aikbee of the entire issued and paid-up share capital of ABSawmill comprising 604,800 ordinary shares of RM 1.00 each for a purchase consideration of RM 16,374,691 satisfied by the issuance of 11,292,890 new ordinary shares of RM 1.00 each in Aikbee at an issue price of RM 1.45 per share, credited as fully paid-up.
- (iii) On 17th January 2001, Aikbee completed a Rights Issue of 4,280,964 new ordinary shares of RM 1.00 each at an issue price of RM 1.60 per share on the basis of approximately one new ordinary share for every 8.81 existing ordinary shares held.

12 NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the proforma statement of assets and liabilities as at 30th September 2000, the net tangible assets cover per ordinary share is calculated as follows:-

	<u>RM'000</u>
Net tangible assets per proforma Group's statement of assets and liabilities as at 30th September 2000	<u>83,834</u>
Total number of ordinary shares of RM 1.00 each	<u>50,000,000</u>
Net tangible assets cover per ordinary share of RM 1.00 each	<u>1.68</u>

10. ACCOUNTANTS' REPORT *(cont'd)*



13 AUDITED ACCOUNTS

No audited financial statements have been made up in respect of any period subsequent to 30th September 2000 for the Company or any of its subsidiary companies.

Yours faithfully,

A handwritten signature in black ink, appearing to read "John De Leo".

FOLKS DFK & CO.
Public Accountants
Firm No. AF 0502

A handwritten signature in black ink, appearing to read "Khoo Pek Ling".

KHOO PEK LING
No. 900/03/02 (J/PH)
Partner