

10. ACCOUNTANTS' REPORT

Date 7 February 2002

The Board of Directors
SDKM Fibres, Wires & Cables Berhad (189740-X)
Plot 538, Tingkat Perusahaan 4B,
Free Trade Zone,
13600 Prai.

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Dear Sirs

1. INTRODUCTION

This report has been prepared by Horwath Teoh Yap, an approved company auditor for inclusion in the Prospectus of SDKM Fibres, Wires & Cables Berhad (hereinafter referred to as "SDKM" or "the Company") to be dated 9 February 2002, in connection with the Public Issue of 6,100,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per new ordinary share in SDKM and Offer For Sale of 1,900,000 ordinary shares of RM1.00 each in SDKM at an offer price of RM1.30 per ordinary share pursuant to the listing of the entire enlarged issued and paid-up share capital of SDKM on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 Background

The Company was incorporated on 20 November 1989 in Malaysia under the Companies Act, 1965 as a limited company under the name of SDKM Fibres, Wires & Cables Sdn Bhd. On 2 February 2001 it was converted into a public limited company, and since then, assumed its present name.

2.2 Share Capital

2.2.1 At the date of incorporation, the authorised share capital of the Company was RM25,000 comprising 25,000 ordinary shares of RM1.00 each.

On 1 October 2000, the authorised share capital was increased from RM25,000,000 to RM50,000,000 by the creation of 25,000,000 new ordinary shares of RM1 each.

10. ACCOUNTANTS' REPORT (Cont'd)

2.2.2 The progressive changes in the issued and paid up share capital of SDKM since its incorporation are as follows :

<u>Date of Allotment</u>	<u>Number of Ordinary Shares of RM1.00 each</u>	<u>Consideration</u>	<u>Total issued and paid-up share capital</u> <u>RM</u>
20-11-1989	2	Subscribers' shares	2
28-04-1990	4,999,998	Cash	5,000,000
28-09-1990	2,000,000	Cash	7,000,000
15-10-1991	2,000,000	Cash	9,000,000
19-11-1991	2,000,000	Cash	11,000,000
25-09-1992	3,000,000	Cash	14,000,000
30-09-1992	1,000,000	Cash	15,000,000
14-08-2000	2,000,000	Cash	17,000,000
26-10-2001	13,000,000	Bonus Issue	30,000,000
02-11-2001	3,900,000	Rights Issue	33,900,000

The present issued and paid up share capital is RM33,900,000.

2.3 Floatation Scheme

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of SDKM on the Second Board of the KLSE, the Company undertook the following flotation scheme :

(a) Bonus Issue

The bonus issue of 13,000,000 new ordinary shares of RM1.00 each in SDKM to the existing shareholders of the Company to be credited as fully paid-up on the basis of approximately 765 new ordinary shares for every 1,000 existing ordinary shares held by the shareholders of the Company via capitalisation of RM13,000,000 from the retained profits of RM21,388,395 as at 30 September 2001.

(b) Rights issue

The rights issue of 3,900,000 new ordinary shares of RM1.00 each in SDKM at par on the basis of approximately 229 new ordinary shares for every 1,000 existing ordinary shares held before the Bonus Issue.

(c) Public Issue

The public issue of 6,100,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per new ordinary share payable in full upon application.

10. ACCOUNTANTS' REPORT (Cont'd)

2.4 Subsidiary company

The subsidiary company of SDKM is Ascall Sdn Bhd (Ascall).

Ascall was incorporated in Malaysia under the Companies Act, 1965 on 13 August 1997 as a private limited company. The present authorised share capital is RM100,000 divided into 100,000 ordinary shares of RM1.00 each, of which all the ordinary shares have been issued and fully paid-up.

Ascall is principally engaged in the trading and sales of its in-house brand "ASCALL" video security doorphones for the Malaysian market.

The progressive changes in the issued and paid up share capital of Ascall since its incorporation are as follows :

<u>Date of Allotment</u>	<u>Number of Ordinary Shares of RM1.00 each</u>	<u>Consideration</u>	<u>Total issued and paid-up share capital</u> <u>RM</u>
13-08-1997	2	Subscribers' shares	2
12-12-1997	99,998	Cash	100,000

The present issued and paid up share capital is RM100,000.

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

3. AUDITED FINANCIAL STATEMENTS AND AUDITORS

3.1 Audited financial statements and auditors

Horwath Teoh Yap has audited the financial statements of all the companies under review, since the financial year ended 30 September 1990.

The auditors' reports of all the companies for all the financial years ended 30 September 1990 to 30 September 2001 were not subject to any qualification.

3.1.1 Accounting policies and standards

The financial statements in this report are prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of SDKM and its subsidiary. There have been no changes in the accounting policies adopted and the financial statements have also been prepared based on applicable approved accounting standards adopted by the Malaysian Accounting Standards Board.

10. ACCOUNTANTS' REPORT (Cont'd)**4. SUMMARISED PROFIT AND LOSS ACCOUNTS****4.1 The Group**

The consolidated results based on the audited accounts of the SDKM Group for the past five (5) financial years ended 30 September 1997 to 30 September 2001 are summarised below.

	Year ended 30 September				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	53,226	51,410	47,602	51,306	45,424
Profit before deduction of finance income	6,525	8,753	8,542	5,751	5,263
Deduction	(3,717)	(3,553)	(3,440)	(2,016)	(1,823)
Finance income	(2,655)	(3,070)	(1,040)	(433)	-
Finance expense	-	-	-	-	66
Profit before taxation	505	2,170	4,062	7,302	7,506
Taxation	-	-	-	-	(15)
Profit after taxation	505	2,170	4,062	7,302	7,487
Weighted average no. of ordinary shares in issue ('000)	15,000	15,000	15,000	15,263	17,000
Earnings per share (sen)					
- Gross	3.39	14.47	27.08	47.84	44.15
- Net	3.39	14.47	27.08	47.84	44.04

Notes: -

- 1) There were no exceptional item nor extraordinary item in all the financial years under review.
- 2) The substantial increase in PBT in the year 1998 was due mainly to improved economies of scale as a result of the introduction of more innovative and quality products especially those of the optical cable range of products, which contributed to a higher profit margin.

10. ACCOUNTANTS' REPORT (Cont'd)

4.1 The Group (cont'd)

- 3) *The increase in PBT in the year 1999 was mainly attributable to improved economies of scale attained by the Group and the effective and efficient control of the operating costs in general.*
- 4) *Higher PBT was registered in the year 2000 was mainly due to lower interest expenses and lower depreciation charge.*
- 5) *The drop in turnover for year 2001 was due mainly to drop in global demand for lower profit margin product. Despite a lower turnover, PBT increased marginally due to improvement in production cost efficiency and higher profit margin from certain products such as optical digital cable and accessory cord.*
- 6) *No taxation were charged on the business income for the years 1997 to 2000 as the Group has sufficient unabsorbed tax losses and allowances to set-off against taxable profit. No provision for taxation was made for the financial year ended 30 September 1999 as the income earned in the year 1999 is waived in accordance with the Income Tax (Amendment) Act 1999.*
- 7) *There was a charge of approximately RM2 million for slow moving and obsolete stocks written off in the year 1998.*
- 8) *The gross EPS is calculated based on the profit before taxation and on the weighted average number of ordinary shares issued of the respective year.*
- 9) *The net EPS is calculated based on the profit after taxation and on the weighted average number of ordinary shares issued of the respective year.*
- 10) *The subsidiary of SDKM is wholly owned. As such there are no minority interests.*
- 11) *The result for the year 1997 reflected the performance of SDKM only as SDKM only invested in Ascall in the year 1998.*

10. ACCOUNTANTS' REPORT (Cont'd)**4.2 SDKM**

	Year ended 30 September				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	53,226	51,424	47,622	51,259	45,467
Profit before depreciation and interest	6,925	9,185	8,578	9,413	9,294
Depreciation	(3,717)	(3,553)	(3,440)	(2,016)	(1,823)
Interest expense	(2,699)	(3,070)	(1,040)	(433)	-
Interest income	-	-	-	-	66
Profit before taxation	509	2,562	4,098	6,964	7,537
Taxation	-	-	-	-	(19)
Profit after taxation	509	2,562	4,098	6,964	7,518
Weighted average no. of ordinary shares in issue ('000)	15,000	15,000	15,000	15,263	17,000
Earnings per share (sen)					
- Gross	3.39	17.08	27.32	45.63	44.34
- Net	3.39	17.08	27.32	45.63	44.22

Notes: -

- 1) *There were no exceptional item nor extraordinary item in all the financial years under review.*
- 2) *The substantial increase in PBT in the year 1998 was due mainly to improved economies of scale as a result of the introduction of more innovative and quality products especially those of the optical cable range of products, which contributed to a higher profit margin.*
- 3) *The increase in PBT in the year 1999 was mainly attributable to improved economies of scale attained by the Company and the effective and efficient control of the operating costs in general.*
- 4) *Higher PBT was registered in the year 2000 mainly due to lower interest expenses and lower depreciation.*

10. ACCOUNTANTS' REPORT (Cont'd)

4.2 SDKM (cont'd)

- 5) *The drop in turnover for year 2001 was due mainly to drop in global demand for lower profit margin product. Despite a lower turnover, PBT increased marginally due to improvement in production cost efficiency and higher profit margin from certain products such as optical digital cable and accessory cord.*
- 6) *No taxation were charged on the business income for the years 1997 to 2000 as the Group has sufficient unabsorbed tax losses and allowances to set-off against taxable profit. No provision for taxation was made for the financial year ended 30 September 1999 as the income earned in the year 1999 is waived in accordance with the Income Tax (Amendment) Act 1999.*
- 7) *There was a charge of approximately RM2 million for slow moving and obsolete stocks written off in the year 1998.*
- 8) *The gross EPS is calculated based on the profit before taxation and on the weighted average number of ordinary shares issued of the respective year.*
- 9) *The net EPS is calculated based on the profit after taxation and on the weighted average number of ordinary shares issued of the respective year.*

10. ACCOUNTANTS' REPORT (Cont'd)

4.3 Ascall

	13.8.1997 to 30.9.1998			
	Year ended 30 September			
	1999	2000	2001	
	RM'000	RM'000	RM'000	RM'000
Turnover	1	67	66	76
Other Income	-	-	377	2
(Loss)/profit before depreciation and interest	(392)	(35)	338	(30)
Depreciation	-	-	-	-
Interest expense	-	-	-	-
(Loss)/profit before taxation	(392)	(35)	338	(30)
Taxation	-	-	-	-
(Loss)/profit after taxation	(392)	(35)	338	(30)
Weighted average no. of ordinary shares in issue ('000)	70.774	100	100	100
(Loss)/earnings per share (sen)				
- Gross	(553.88)	(35.00)	338.00	(30.00)
- Net	(553.88)	(35.00)	338.00	(30.00)

Notes: -

- 1) There were no exceptional items nor extraordinary items in all the financial years / periods under review.
- 2) Ascall was incorporated on 13 August 1997 and commenced operations on 1 March 1998.
- 3) Turnover for the year 1998 is low and reflected a one off transaction because Ascall was at the initial stage of launching its products.
- 4) The loss in the year 1998 was due to the development cost of TV door phone being absorbed by Ascall. In the year 2000, the holding company decided to absorb back the earlier charges to Ascall that resulted in an other income of RM377,221.
- 5) Despite the increase in turnover, there was a loss registered in the year 2001 due to lower gross margin from new model of doorphone.

10. ACCOUNTANTS' REPORT (Cont'd)

4.3 Ascall (cont'd)

- 6) *No taxation were charged on the business income for the period / year under review as Ascall was in a tax loss position. No provision for taxation was made for the financial year ended 30 September 1999 as income earned in the year 1999 is waived in accordance with the Income Tax (Amendment) Act 1999.*
- 7) *The gross EPS is calculated based on the profit before taxation and on the weighted average number of ordinary shares issued of the respective year.*
- 8) *The net EPS is calculated based on the profit after taxation and on the weighted average number of ordinary shares issued of the respective year.*

5. DIVIDENDS

SDKM has not paid nor declared any dividend since its incorporation on 20 November 1989.

10. ACCOUNTANTS' REPORT (Cont'd)**6. SUMMARISED BALANCE SHEETS**

6.1 The consolidated balance sheets of the Group at the end of the relevant years are set out below:-

	As at 30 September				
	1997	1998	1999	2000	2001
	RM '000	RM '000	RM '000	RM '000	RM '000
Current assets	33,252	22,546	23,026	24,803	27,851
Current liabilities	<u>(36,626)</u>	<u>(22,612)</u>	<u>(16,909)</u>	<u>(5,872)</u>	<u>(2,887)</u>
Net current (liabilities)/ assets	(3,374)	(66)	6,117	18,931	24,964
Fixed assets	18,655	17,517	15,397	14,610	16,065
Investments	85	85	85	85	85
Minority interest	-	-	-	-	-
	<u>15,366</u>	<u>17,536</u>	<u>21,599</u>	<u>33,626</u>	<u>41,114</u>
Shareholders' funds					
Share capital	15,000	15,000	15,000	17,000	17,000
Share premium	-	-	-	2,725	2,725
Retained (loss)/profits	<u>366</u>	<u>2,536</u>	<u>6,599</u>	<u>13,901</u>	<u>21,389</u>
	<u>15,366</u>	<u>17,536</u>	<u>21,599</u>	<u>33,626</u>	<u>41,114</u>
NTA per share (RM)	1.02	1.17	1.44	1.98	2.42

* This represented only RM2.

Notes: -

1) There were no Group accounts prepared prior to the financial year ended 30 September 1997 as SDKM only invested in Ascall in the year 1998.

10. ACCOUNTANTS' REPORT (Cont'd)

6.2 The audited balance sheets of each of the companies within the group for the relevant years and periods ended are set out below: -

6.2.1 SDKM

	As at 30 September				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	33,252	22,832	23,345	24,778	27,858
Current liabilities	<u>(36,626)</u>	<u>(22,606)</u>	<u>(16,901)</u>	<u>(5,857)</u>	<u>(2,875)</u>
Net current (liabilities)/assets	(3,374)	226	6,444	18,921	24,983
Fixed assets	18,655	17,517	15,397	14,610	16,065
Investments/subsidiary company	85	185	185	185	185
Minority interest	-	-	-	-	-
	<u>15,366</u>	<u>17,928</u>	<u>22,026</u>	<u>33,716</u>	<u>41,233</u>
Shareholder's funds					
Share capital	15,000	15,000	15,000	17,000	17,000
Share premium	-	-	-	2,725	2,725
Retained (loss)/profits	<u>366</u>	<u>2,928</u>	<u>7,026</u>	<u>13,991</u>	<u>21,508</u>
	<u>15,366</u>	<u>17,928</u>	<u>22,026</u>	<u>33,716</u>	<u>41,233</u>
NTA per share (RM)	1.02	1.20	1.47	1.98	2.43

6.2.2 Ascall

	As at 30 September			
	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000
Current assets	112	112	57	127
Current liabilities	<u>(404)</u>	<u>(439)</u>	<u>(46)</u>	<u>(147)</u>
Net current (liabilities)/assets	(292)	(327)	11	(20)
	<u>(292)</u>	<u>(327)</u>	<u>11</u>	<u>(20)</u>
Shareholder's (deficit)/funds				
Share capital	100	100	100	100
Retained (loss)/profits	<u>(392)</u>	<u>(427)</u>	<u>(89)</u>	<u>(120)</u>
	<u>(292)</u>	<u>(327)</u>	<u>11</u>	<u>(20)</u>
NTA per share (RM)	-	-	0.11	-

Notes: -

- 1) *Ascall was incorporated on 13 August 1997 and closed its first set of accounts on 30 September 1998.*

10. ACCOUNTANTS' REPORT (Cont'd)**7 STATEMENT OF ASSETS AND LIABILITIES**

The following is the detailed statement of assets and liabilities of the SDKM Group which have been prepared based on the audited financial statements of the companies in the SDKM Group as at 30 September 2001 and the proforma SDKM Group which have been prepared as tabled below was based on the assumption that the proposed Floatation Scheme was completed on 30 September 2001.

	Notes	SDKM Group RM'000	Proforma Group
PROPERTY, PLANT AND EQUIPMENT	7.2	16,065	16,065
INVESTMENTS	7.4	85	85
CURRENT ASSETS			
Stocks	7.5	10,161	10,161
Trade debtors		6,249	6,249
Other debtors, deposit & prepayment	7.6	976	976
Amount owing by a shareholder	7.7	1,538	1,538
Fixed deposits with licensed bank		4,028	4,028
Cash & bank balances		4,899	14,729
		<u>27,851</u>	<u>37,681</u>
CURRENT LIABILITIES			
Trade creditors		1,629	1,629
Other creditors & accrued liabilities	7.8	1,247	1,247
Provision for taxation		11	11
		<u>2,887</u>	<u>2,887</u>
Net current assets		24,964	34,794
		<u>41,114</u>	<u>50,944</u>
Financed by			
Share capital	7.9	17,000	40,000
Reserves	7.10	24,114	10,944
		<u>41,114</u>	<u>50,944</u>

10. ACCOUNTANTS' REPORT (Cont'd)

7.1 SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Accounting**

The financial statements are prepared under the historical cost convention and comply with applicable approved accounting standards in Malaysia in all material respects.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary company made up to the end of the financial year. All inter-company balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

(c) Property, Plant and Equipment

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

(d) Depreciation

Long term leasehold land and short term leasehold land with unexpired lease period of less than 50 years are amortised over the lease period of 60 years.

Depreciation on the remaining property, plant and equipment is calculated on the straight-line basis over estimated useful lives of the assets at the following annual rates:-

	%
Factory building	2
Plant & machinery	10
Mould & dies	33 1/3
Sundry tools & equipment	20 – 33 1/3
Office equipment	20
Furniture & fittings	20
Motor vehicles	20

(d) Investments

Investments are stated at cost. Provision for diminution in value is made when the directors consider that there has been a permanent fall in the value of the investment.

(e) Stocks

Stocks are valued at the lower of cost (determined on the first-in first-out basis) and net realisable values. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

10. ACCOUNTANTS' REPORT (Cont'd)

7.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(f) Foreign Currency Translation**

Transactions in foreign currency are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling at that date. Non-monetary assets and liabilities which are stated at cost denominated in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the transaction dates. Exchange gains and losses arising on translation are recognised in the income statement.

(g) Deferred Taxation

Deferred tax liability is provided under the liability method in respect of all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax asset is recognised only to the extent that its realisation is probable.

(h) Income Recognition

Sales are recognised upon delivery of goods. Interest income is recognised on accrual basis.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise fixed deposits and cash and bank balances.

7.2 PROPERTY, PLANT AND EQUIPMENT

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
<u>At cost</u>			
Long term leasehold land	1,064	206	858
Factory buildings	12,361	1,948	10,413
Plant & machinery	16,232	13,670	2,562
Mould & dies	8,151	7,021	1,130
Sundry tools & equipment	3,941	3,731	210
Office equipment	1,468	1,151	317
Furniture & fittings	738	660	78
Motor vehicles	1,082	585	497
	<u>45,037</u>	<u>28,972</u>	<u>16,065</u>

10. ACCOUNTANTS' REPORT (Cont'd)**7.3 SUBSIDIARY COMPANY**

<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Effective Interest</u>	<u>Principal Activity</u>
Ascall Sdn Bhd	Malaysia	100 %	Trading in TV door phones

7.4 INVESTMENTS, at cost

These represent investments stated at cost in membership clubs, one of which at cost RM50,000 is transferable.

7.5 STOCKS

	<u>SDKM Group</u> RM'000	<u>Proforma Group</u> RM'000
Raw materials	4,691	4,691
Work-in-progress	1,267	1,267
Finished goods	4,203	4,203
	<u>10,161</u>	<u>10,161</u>

7.6 OTHER DEBTORS, DEPOSIT & PREPAYMENT

	<u>SDKM Group</u> RM'000	<u>Proforma Group</u> RM'000
Other debtors	27	27
Sundry deposits	63	63
Prepayments	886	886
	<u>976</u>	<u>976</u>

7.7 AMOUNT OWING BY A SHAREHOLDER

The amount owing by a shareholder / holding company is unsecured, non-interest bearing and has no fixed terms of repayment. It represents trade and non-trade transactions.

7.8 OTHER CREDITORS & ACCRUED LIABILITIES

	<u>SDKM Group</u> RM'000	<u>Proforma Group</u> RM'000
Other creditors	514	514
Accruals	721	721
Deposit refundable	12	12
	<u>1,247</u>	<u>1,247</u>

10. ACCOUNTANTS' REPORT (Cont'd)**7.9 SHARE CAPITAL**

	SDKM Group RM'000	Proforma Group RM'000
Authorised :		
Ordinary shares of RM1 each		
As at 1 October	25,000	-
Increased during the year	-	-
As at 30 September	<u>25,000</u>	<u>25,000</u>
Increased as consideration for public listing	-	25,000
	<u>25,000</u>	<u>50,000</u>
Issued and fully paid :		
As at 1 October	17,000	17,000
Proforma (a) – Bonus issue	-	13,000
	<u>17,000</u>	<u>30,000</u>
Proforma (b) – Rights issue	-	3,900
	<u>17,000</u>	<u>33,900</u>
Proforma (c) – Public issue	-	6,100
	<u>17,000</u>	<u>40,000</u>

The share capital for the Proforma Group incorporates :-

- (a) the bonus issue of 13,000,000 ordinary shares of RM1.00 each at par;
- (b) the rights issue of 3,900,000 ordinary shares of RM1.00 each at par; and
- (c) the public issue of 6,100,000 ordinary shares of RM1.00 each at RM1.30 per share.

7.10 RESERVES

	SDKM Group RM'000	Proforma Group RM'000
Non-distributable Share Premium	2,725	2,555
Distributable Retained Profit	<u>21,389</u>	<u>8,389</u>
	<u>24,114</u>	<u>10,944</u>

The share premium of RM1,830,000 arising from the public issue is netted off against the estimated listing expenses of approximately RM2 million.

The bonus issue of 13,000,000 ordinary shares of RM1.00 each at par is capitalised from the retained profit account of RM13,000,000, which stood at RM21,388,395 million as at 30 September 2001.

10. ACCOUNTANTS' REPORT (Cont'd)

7.11 SHORT TERM BORROWINGS

The unsecured short term borrowings are guaranteed by certain directors of the Company.

Interest was charged at rate of 0.75% above the bank's base lending rate per annum, except for export credit refinancing which is charged at 0.75% above the Bank Negara Malaysia's rate per annum.

7.12 CONTINGENT LIABILITY

There is no contingent liability in respect of the Group.

7.13 CAPITAL COMMITMENTS

	SDKM <u>Group</u> RM'000	Proforma <u>Group</u> RM'000
Contracted but not provided for	<u>434</u>	<u>434</u>

10. ACCOUNTANTS' REPORT (Cont'd)**8 CONSOLIDATED CASH FLOW STATEMENT**

The cash flow statement of SDKM Group set out below is based on the audited financial statements of SDKM and its subsidiary company, Ascall for the year ended 30 September 2001.

	SDKM Group RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	7,506
Adjustments for :	
Depreciation	1,823
Gain on disposal of property, plant and equipment	(103)
Interest income	(66)
Unrealised loss on foreign exchange	13
Operating profit before working capital changes	<u>9,173</u>
Decrease in stocks	166
Decrease in debtors	3,080
Decrease in creditors	(1,420)
Net cash from operating activities	<u>10,999</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(3,279)
Proceeds from disposal of property, plant and equipment	103
Interest received	66
Net cash used in investing activities	<u>(3,110)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Decrease in short term borrowings (net)	(1,582)
Net cash used in financing activities	<u>(1,582)</u>
Net increase in cash and cash equivalents	<u>6,307</u>
Cash and cash equivalents brought forward	<u>2,620</u>
Cash and cash equivalents carried forward	<u><u>8,927</u></u>

8.1 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprised the following balance sheet amounts:-

	RM'000
Cash and bank balances	4,899
Fixed deposits with a licensed bank	4,028
	<u>8,927</u>

10. ACCOUNTANTS' REPORT (Cont'd)**9.0 NET TANGIBLE ASSETS PER ORDINARY SHARE**

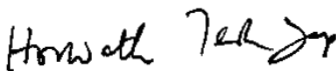
Based on the statement of assets and liabilities of the Group as at 30 September 2001 as set out in Section 7, the net tangible assets cover per share is calculated as follows:-

	RM'000
Net tangible assets as per the Group's statement of assets and liabilities	<u>50,944</u>
Number of ordinary shares of RM1.00 each in issue ('000)	No. of shares
Ordinary shares :-	
As at 30 September 2001	17,000
Bonus Issue	13,000
Rights Issue	3,900
Public Issue	6,100
Issued and paid-up share capital of the Company	<u>40,000</u>
Net tangible assets cover per ordinary share of RM1.00 each	<u>RM 1.27</u>

10.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements of the Company and its subsidiary have been prepared in respect of any period subsequent to 30 September 2001.

Yours faithfully



HORWATH TEOH YAP
FIRM NO : AF1121
Chartered Accountants



YAP SOON HIN
APPROVAL NO : 947/3/03 (J)
Partner of Firm

11. INDEPENDENT MARKET RESEARCH REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

Vital Factor Consulting Sdn. Bhd.
(Company No: 266797-T)

75C & 77C Jalan SS22/19
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel (603) 7728 0248
Fax (603) 7728 7248

7 February 2002

The Board of Directors
SDKM Fibres, Wires & Cables Berhad
Plot 538, Tingkat Perusahaan 4B
Prai Free Trade Zone
13600 Prai, Penang
Malaysia

Dear Sirs

Industry Assessment of Cables and Wires for the Electrical and Electronics Industries

The following is an extract of the Industry Assessment of Cables and Wires for the Electrical and Electronics Industries prepared by Vital Factor Consulting Sdn Bhd for inclusion in the Prospectus of SDKM Fibres, Wires & Cables Berhad to be dated 9/2/2002 in relation to its listing on the Second Board of the Kuala Lumpur Stock Exchange.

1. Background

- The objective of the report is to provide an independent assessment of Cables and Wires for the Electrical and Electronics Industries in Malaysia.
- This Industry Assessment forms part of the submission to the Securities Commission for the listing of **SDKM Fibres, Wires & Cables Berhad** on the Second Board of the Kuala Lumpur Stock Exchange.

2. Industry in which SDKM Fibres, Wires & Cables Berhad Operates

- SDKM is an integrated manufacturer of Cables and Wires as well as a contract manufacturer for interphones and security doorphones.
- Its wholly owned subsidiary, Ascall Sdn Bhd is involved in the sales and marketing of interphone and security doorphones in Malaysia.
- The business activities of the Group are mainly in the following areas:
 - manufacture of audio-visual (AV) accessory cords including coaxial cables;
 - manufacture of AV cables, cords, connectors and alternate current (AC) sockets;
 - manufacture of headphones, earphones and AV selectors;
 - manufacture of optical digital cables;
 - joint development and assembly of elevator interphones, doorphones and interphones.

11. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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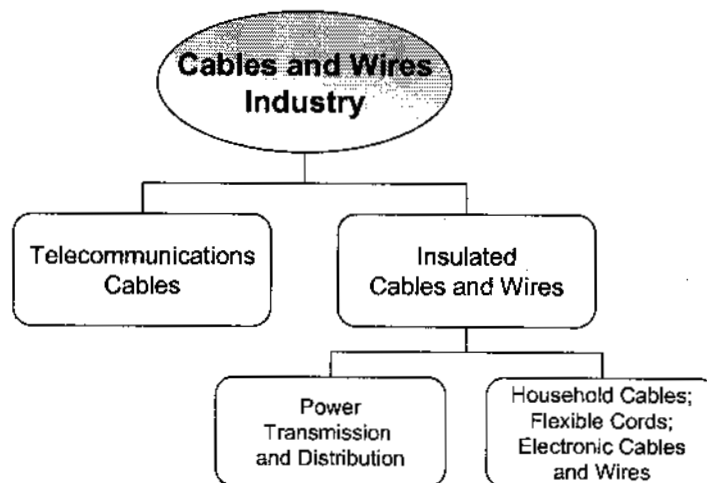
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3. Overview of the Cables and Wires Industry

- The output of all types of Cables and Wires was estimated to value at RM3.5 billion in 2000. A total of 163,074 tonnes of Cables and Wires were produced in that year, representing an increase of 41.3% over the previous year. The increase was primarily due to the favourable internal demand arising from the economic recovery within the country (Source: *Monthly Manufacturing Statistics July 2001, Department of Statistics*).
- The Cables and Wires Industry is considered a sub-group of the Electrical and Electronics Industries. The Electrical and Electronics Industries plays a significant role in contributing to the growth of the Malaysian economy. As the largest contributor of export earnings, this sector reinforces Malaysia's position as one of the major exporters of electronic goods to the global market.
- The Electrical and Electronics Industries is the leading sub-sector within manufacturing industries in Malaysia in terms of employment, output and exports.
- In 2000, the Electrical and Electronics Industries:
 - achieved gross exports of RM230.4 billion representing 72.5% of total manufactured goods exported (Source: *Monthly Statistical Bulletin August 2001, Bank Negara Malaysia*);
 - employed 644,290 people or 15% of total manufacturing employment (Source: *The Electrical and Electronics Industries in Malaysia, Industry Brief February 2001, Malaysian Industrial Development Authority*).

4. Industry Segmentation

- The Cables and Wires Industry can be segmented into the following:



Source: *The Electronics Industry, Industry Brief May 2000, Malaysian Industrial Development Authority*

Figure 1 Segmentation of the Cables and Wires Industry

11. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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- For the period between January 2001 and July 2001, telecommunications cables represented 57% of the total Cables and Wires Industry in terms of production tonnage. (Source: Monthly Manufacturing Statistics July 2001, Department of Statistics)
- SDKM operates within the Household Cables, Flexible Cords and Electronic Cables and Wires segment.
- Within this segment, Cable and Wire products include electrical wiring for buildings, electrical cords for appliances, cables for audio-visual and other electronic products.
- Within the Cables and Wires Industry, the usage of core materials can be segmented as follows:

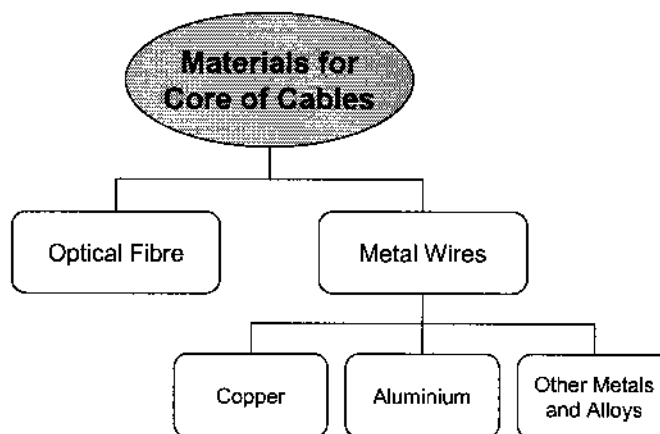


Figure 2 Materials Used for the Core of Cables and Wires

5. Government Legislation, Policies and Incentives

- Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on the performance and growth of manufacturers within the Cables and Wires Industry.
- The Government regards the Electrical and Electronics Industries as the key industries in assisting Malaysia to achieve growth and development as an industrialised nation. Some of the strategies that the Malaysian Government has put in place for the Electronics Industry are:
 - to accelerate growth of the non-semiconductor components, consumer and industrial sub-sectors;
 - to foster the development of supplier and supporting linkages for the electronics industry;
 - to encourage greater investment in research and development with the aim of encouraging the production of higher value-added products;
 - to increase local participation by encouraging joint-ventures between foreign and local investors;
 - to improve technology used in semiconductor assembly in order to increase productivity.

11. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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- To provide a conducive environment to support and nurture the industry, the Government will continue to provide the following incentives:
 - pioneer status scheme and investment tax allowance under the Promotion of Investments Act, 1986 as follows:
 - a partial tax exemption for 5 years for selected range of electrical and electronic products, including high technology industries;
 - investment tax allowance on capital expenditure incurred within 5 years;
 - reinvestment allowance for expansion of production capacity, modernising and upgrading of plant and machinery and, diversification into related products.
- Under Licensed Manufacturing Warehouse and Free Trade Zone, companies manufacturing goods for export are eligible for the following:
 - exemption from duty and sales tax on machinery and equipment;
 - drawback of excise duty for parts, ingredients or packaging materials of goods manufactured for the export market;
 - drawback of sales tax on duty paid for goods used as materials for the manufacture of export products.

6. Supply

- The total Electrical and Electronics Industries is a major contributor of foreign earnings for the Malaysian economy accounting for approximately 72% of total gross exports from Malaysia (*Source: Annual Report 2000, Bank Negara Malaysia*).
- In 2000, exports of Electrical products alone were estimated at RM16 billion in foreign earnings for Malaysia. The export of Cable and Wire products contributed RM1.3 billion (*Source: The Electronics Industry, Industry Brief February 2001, Malaysian Industrial Development Authority*).
- The ex-factory sales value of Cables and Wires grew by an average annual rate of 3.6% between 1996 and 2000 (*Source: Monthly Manufacturing Statistics July 2001, Department of Statistics*).
- In 2000, ex-factory sales value of Cables and Wires increased by 33.2% to RM4.3 billion (*Source: Monthly Manufacturing Statistics July 2001, Department of Statistics*).
- The sales value of Cables and Wires for the first seven months of 2001 reached RM2.5 billion. This is an improvement of 2.1% over the same period last year (*Source: Monthly Manufacturing Statistics July 2001, Department of Statistics*).
- The continuing growth in Cables and Wires for the first seven months of 2001 is encouraging as many other manufacturing sectors in Malaysia experienced some slowdown during this period.

11. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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7. Demand

- The demand for Cables and Wires for electronic products is driven by the global demand for finished consumer electronic goods.
- Malaysia's export of electronic products comprising semiconductors, and electronics equipment and parts has been growing at an average annual rate of 26.8% between 1996 and 2000 (Source: *Monthly Statistical Bulletin July 2001, Bank Negara Malaysia*).
- In 2000, gross exports in the Electronics Industry reached approximately RM167 billion, an increase of 15.1% compared to the previous year. The electronics sub-sector comprises semiconductors and electronics equipment and parts (Source: *Monthly Statistical Bulletin July 2001, Bank Negara Malaysia*).
- Exports of Consumer Electrical Products grew by an average annual rate of 7.4% between 1996 and 2000 (Source: *Monthly Statistical Bulletin July 2001, Bank Negara Malaysia*).
- In 2000, exports of Consumer Electronics increased by 21.9% to reach RM26.5 billion (Source: *Monthly Statistical Bulletin July 2001, Bank Negara Malaysia*).
- Export of Office Machines grew at an average annual rate of 14.6% between 1996 and 2000 (Source: *Monthly External Trade Statistics, December 1997 and 2000, Department of Statistics*).
- In 2000, export value of Office Machines grew at 37.0% to reach RM887.7 million, compared to RM648.1 million in 1999 (Source: *Monthly External Trade Statistics, December 2000, Department of Statistics*).
- Export of Telecommunications Equipment, grew at an average annual rate of 22.9% between 1996 and 2000 (Source: *Monthly External Trade Statistics, December 1997 and 2000, Department of Statistics*).
- In 2000, export value of Telecommunications Equipment grew by 43.1% to reach RM22.7 billion, compared to RM15.9 billion in 1999 (Source: *Monthly External Trade Statistics, December 1997 and 2000, Department of Statistics*).
- Exports of accessory cords, cord connections and telephone cords grew at an average annual rate of 33.7% between 1996 and 2000 (Source: *Unpublished Data, Department of Statistics*).
- In 2000, exports of accessory cords, cord connections and telephone cords reached RM336.1 million, a slight increase of 85.1% from the previous year (Source: *Unpublished Data, Department of Statistics*).
- Export of elevator interphones, intercoms, doorphones and video intercoms declined at an average annual rate of 16.1% between 1996 and 2000 (Source: *Unpublished Data, Department of Statistics*).
- In 2000, export of elevator interphones, intercoms, doorphones and video intercoms grew by 198.5% to RM19.4 million. Although growth is high, it is from a relatively low base of RM6.5 million in 1999. (Source: *Unpublished Data, Department of Statistics*).

11. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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- The export of National Television Standards Committee (NTSC), Phase Alternation Line (PAL), Sequential Couleur avec Memoire (SECAM) and Cord Connections grew by an average annual rate of 6.2% between 1996 and 2000 (*Source: Unpublished Data, Department of Statistics*).
- In 2000, the export value for this sub-sector amounted to RM43.4 million, an increase of 18.8% from the previous year (*Source: Unpublished Data, Department of Statistics*).

Implication

- The continuous growth and demand in the export of electronic components, consumer electronics and, in particular, office machineries, telecommunications equipment, accessory cords, cord connections, telephone cords will ensure sustainability and opportunities for manufacturers of Cables and Wires.

8. Competitive Nature of the Industry

- Operators in the Cables and Wires Industry face **normal** competitive conditions.
- As with most free enterprise environments, competition is based on a number of factors, including:
 - Quality of products and services;
 - Cost competitiveness;
 - Prompt delivery schedules;
 - Manufacturing capabilities and capacities.
- Despite the many operators in the market, intensity of competition varies at different levels, based on the following observations:
 - manufacturers of mass produced and low-value audio-visual Cables and Wires experience **high competition**. This is due to the fact that most of the existing Cables and Wires manufacturers in the country are operating in this sector and the ease of entry creates a large pool of manufacturers.
 - manufacturers of accessory Cables and Wires or higher-end Cables and Wires, however experience **moderate competition** due to the fact that the manufacturing process and technology are more demanding. Barriers to entry may include experience, know-how and high capital investments particularly in specialised machines that are able to produced copper wire of consistent pitch and thickness.

Competition From other Countries

- The level of intensity of competition for Malaysian Cables and Wires manufacturers is **higher** at the global level. The main competition is more likely to come from lower production cost countries like China, Indonesia, Philippines and Thailand.
- These countries with their comparatively lower labour cost structures are able to compete against Malaysia.

11. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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- However, Malaysian Cables and Wires manufacturers will continue to be competitive based on the following advantages:
 - superior infrastructure in terms of transportation and telecommunications;
 - significantly higher quality products and services;
 - strong support industries for supply of raw materials, parts and components, particularly electrical and electronic components, plastic parts and packaging materials;
 - large pool of trained human resources, including senior management and technically skilled and semi-skilled labour resulting from many years of development of the electronics industry.
- Although in the short term, competition from lower cost countries continue to be moderate, in the longer term, these countries may improve to become major competitors to Malaysia.
- As such, the Government has urged and provided incentives for local manufacturers to move into higher value areas and increased complexity and integration. This will ensure that Malaysia will always be at least one step ahead of lower cost countries that compete only on price.

9. Key Players in the Industry

- Some of the major local manufacturers of Cables and Wires for Electrical and Electronics Industries include:
 - Supercomal Technologies Berhad
 - P. I. E Industrial Berhad
 - Wonderful Wire & Cable Berhad
 - Leader Universal Holdings Berhad
 - Advance Cable (M) Sdn Bhd
 - Fujikura Federal Cable Sdn Bhd
 - Furukawa Electric Cables (M) Sdn Bhd
 - Central Cables Bhd
 - SDKM Fibres, Cables & Wires Berhad.

(Source: Primary Market Research undertaken by Vital Factor Consulting)

10. Industry Outlook and Growth Forecast

- The Industry is expected to grow at approximately **3% to 5% per annum** for the next five years from 2002 to 2006.
- In the short term, particularly for 2001 and 2002, the Cables and Wires Industry is expected to experience decline in light of recent events which include:
 - The 11th September 2001 terrorist attacks on the United States of America (US);
 - The slowdown in the economic performance of Malaysia as well as its main trading partners especially the US.

11. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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- The immediate impact of the 11th September 2001 terrorist attacks on the US is the deepening and prolonging of the economic downturn in the US, which will have global implications including Malaysia.
- The 11th September 2001 terrorist attacks on the US will also erode consumer confidence, which is a major factor in the demand for consumer electronics and appliances. This will directly impact on the Cables and Wires Industry as these products are primarily for consumer electronics and appliances.
- The growth forecast of 3% to 5% for 2002 to 2006 is sustainable and the scenario is expected to be as follows:
 - Overall growth for 2001 is likely to be negative. According to Gartner Dataquest, global shipments of personal computers fell by 11.6% during the third quarter of 2001, while International Data Corporation estimated a drop of 13.7% for the same period;
 - Overall 2002 is likely to see some signs of a turnaround, although growth for the first half is expected to be negative, while the latter part of the year may see some positive growth;
 - The slowdown in purchases of consumer electronics and appliances in 2001 and 2002 would create a backlog of demand. Thus, consumer electronics and appliances that would normally be upgraded or purchased in 2001 and 2002 would most likely be postponed till the later part of 2002 and 2003 onwards;
 - Assuming the Cables and Wires Industry continues to be depressed for 2002 and a turnaround takes place from 2003 onwards, this means the five-year forecast period would start on a low base in 2002. As such, a growth rate of 3% to 5% from 2002 to 2006 is highly probable.
- Once conditions are back to normal, Malaysia's Cables and Wires Industry, particularly for accessory cords, cord connections, telephone cords, would experience positive growth rate similar to those experienced between 1996 and 2000, which were as follows:
 - The ex-factory sales value of all Cables and Wires grew at an average annual rate of 3.6% between 1996 and 2000 (*Source: Monthly Manufacturing Statistics July 2001, Department of Statistics*).
 - In 2000, the total output all Cables and Wires, including Telephone and Telegraphic Cables, was 163,074 tonnes representing an increase of 41.3% over the previous year. However, the bulk of the increase was attributed to the increase in Telephone and Telegraphic Cables. Output of Insulated Wires and Cables declined by 1.6% to 73,673 tonnes. (*Source: Monthly Manufacturing Statistics July 2001, Department of Statistics*).
 - For the first seven months of 2001, the sales value of all Cables and Wires amounted to RM2.5 billion, representing an improvement of 2.1% over the same period the previous year. However, the output of Insulated Cables and Wires increased by 13.9% to reach 47,242 tonnes for the first seven months of 2001 (*Source: Monthly Manufacturing Statistics July 2001, Department of Statistics*).

11. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)


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- In 2000, the exports of accessory cords, cord connections and telephone cords reached RM336.1 million, an improvement of 85.1% over the previous year. Between 1996 and 2000, exports of accessory cords, cord connections and telephone cords grew at an average annual rate of 33.7% (Source: Unpublished Data, Department of Statistics).
- In 2000, the export value for NTSC, PAL, SECAM and Cord Connections amounted to RM43.4 million, a 18.8% increase from the previous year. However, the export of NTSC, PAL, SECAM and Cord Connections grew by an average annual rate of 6.2% between 1996 and 2000 (Source: Unpublished Data, Department of Statistics).
- As the demand for Cables and Wires are also linked to the demand for electronics equipment, future growth will also be derived from the following growth estimates of the Electronics Industry.
 - Output in the Electronics Industry grew by an average 21.7% per annum between 1996 and 2000. In 2000, output in the Electronics Industry grew by 28.4% to RM166.7 billion compared to 1999. (Source: The Electronics Industry, Industry Brief February 2001, Malaysian Industrial Development Authority).
 - Malaysia's export of electronic products comprising semiconductors, and electronics equipment and parts grew at an average annual rate of 26.8% between 1996 and 2000 (Source: Monthly Statistical Bulletin July 2001, Bank Negara Malaysia).

11. Areas of Growth and Opportunities

Areas of growth and opportunities for the Cables and Wires Industry include the following:

- **Export Opportunities**
 - In 1999 and 2000, the industry exported RM1,307.4 million and RM1,316.4 million worth of Cables and Wires respectively, indicating a trend towards exports (Source: The Electronics Industry, Industry Brief February 2001, Malaysian Industrial Development Authority).
 - As such, there are opportunities for export for manufacturers of Cables and Wires. Malaysian made products are now widely accepted by the world community for its quality product and technology, especially for the Electrical and Electronic products and components.
- **Maximising on the Development of Multimedia Super Corridor (MSC)**
 - The development of the MSC in Malaysia has attracted multinationals and foreign operators of Information Technology and high technology related goods and services. This development opens up a whole host of opportunities for local Cables and Wires manufacturers to provide support to MSC companies.

11. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)


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- Local manufacturers of Cables and Wires can capitalise on the advantages of proximity and opportunities in manufacturing Cables and Wires and electronic components to MSC companies.
- **Higher Value Products**
 - Currently, most local manufacturers of Cables and Wires are mainly in the manufacturing of low to medium price Cables and Wires, that is, mainly mass produced Cables and Wires for electrical and electronic products manufactured locally. There are opportunities for manufacturers to move up the production chain and provide higher value products. This include the manufacture of high-end accessory cables, data communication wires such as copper-based Category 5 Cables and Wires or fibre optic cables.

12. Threats and Risks Analysis

- **Shift in Manufacturing Base**
 - In the longer term, Malaysia could lose its manufacturing competitiveness to lower cost producing countries like China, Philippines, Indonesia and Thailand. These countries may attract multinational companies to establish their manufacturing bases at the expense of Malaysia. If this occurs, the impact on the Cables and Wires manufacturers will be significant.
 - However, Malaysia's excellent infrastructure, especially in terms of supporting industries for the manufacturing sector, would continue to provide it with significant comparative advantages over other low-cost production countries, until such time they catch-up with Malaysia.
 - If such a situation occurs, manufacturers may have to establish branches overseas to provide technical support and liaison with customers while the actual production remains in Malaysia.
- **Slowdown in Global Demand**
 - This has been demonstrated through the global slowdown in the semiconductor industry in 1996, which has impacted on some local manufacturers in the Cables and Wires Industry.
 - However this setback was temporary due to the glut of semiconductor and memory chips. Recovery was well underway in the first quarter of 1997.
- **Prolonged Economic Downturn**
 - A prolonged economic downturn, particularly for Malaysia's main trading partners like the US, Europe, Japan and Asia, will significantly impact on the sustainability of the Cables and Wires Industry.
 - This is a highly likely scenario as a result of the current economic downturn and the recent 11th September 2001 terrorist attacks on the US that is likely to prolong and deepen the current economic slowdown.

11. **INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**



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- Malaysia has a wide manufacturing base, exports to many countries, has significant agricultural-based exports and also a sizeable domestic market as opposed to some other countries like Singapore. As such, these factors will help minimise and insulate Malaysia somewhat from a prolonged economic downturn in external economies.

Vital Factor Consulting Sdn Bhd has prepared this report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of the reader(s) of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company or companies.

Yours sincerely

Wooi Tan
Managing Director
Vital Factor Consulting Sdn Bhd

12. DIRECTORS' REPORT



SDKM Fibres, Wires & Cables Berhad (189740-X)

PLOT 538, TINGKAT PERUSAHAAN 4B, PRAI FREE TRADE ZONE, 13600 PRAI, PENANG, MALAYSIA

Tel: 04-3901092 Fax: 04-3996771, 3980062

7 February 2002

2683 (2ND Floor), Jalan Chain Ferry,
Taman Inderawasih,
13600 Prai.
Pulau Pinang

The Shareholders SDKM Fibres, Wires & Cables Berhad

Dear Sirs/Madam,

On behalf of the Directors of SDKM Fibres, Wires & Cables Berhad ("SDKM"), I report after due inquiry that during the period from 30 September 2001 (being the date to which the latest audited accounts of SDKM and its subsidiary ("SDKM Group") have been made up) to 7 February 2002 (being a date not earlier than fourteen days before the issue of this Prospectus):

- (a) the business of SDKM Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the SDKM Group which have adversely affected the trading Group, which have adversely affected the trading, or the value of the assets of the SDKM Group;
- (c) the current assets of the SDKM Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there is no contingent liabilities by reason of any guarantees or indemnities given by the SDKM Group; and
- (e) save as disclosed in the Accountants' Report and the Proforma Consolidated Balance Sheet in the Prospectus, there have been no changes in published reserves nor any unusual factors affecting the profit of the SDKM Group since the last audited accounts of the SDKM Group.

Yours faithfully
For and on behalf of the Board of Directors of
SDKM Fibres, Wires & Cables Berhad

加藤 邦夫

TOSHIO KATO