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## 16. ACCOUNTANTS' REPORT

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(Prepared for inclusion in this Prospectus)



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**The Board of Directors**  
SMIS Corporation Berhad  
11<sup>th</sup> Floor, Wisma Damansara  
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7 March 2002

Dear Sirs

### **Accountants' Report**

This report has been prepared by Messrs. KPMG, an approved company auditor for inclusion in the Prospectus to be dated 13 March 2002 in connection with:

- i) the public issue of 7,360,000 new ordinary shares of RM1.00 each in SMIS Corporation Berhad ("SMIS") comprising:
  - a) 3,740,000 new ordinary shares of RM1.00 each available for application at an issue price of RM1.15 per ordinary share payable in full on application; and
  - b) 3,620,000 new ordinary shares of RM1.00 each by way of private placement to identified investors at an issue price of RM1.15 per ordinary share payable in full on application;

and,

- ii) the listing of and quotation for SMIS's entire issued and paid up share capital on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

## **1 General Information**

### **1.1 Background**

SMIS was incorporated as a private limited company on 19 August 1999. The principal activity of the Company is that of investment holding. On 7 June 2000, the Company converted to a public company and changed its name to SMIS Corporation Berhad.



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

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## 1.2 Share Capital

1.2.1 The authorised and issued and paid up capital of SMIS as at the date of this report are as follows:

	<i>No. of Ordinary Shares of RM1.00 each RM'000</i>	<i>Total RM'000</i>
Authorised	60,000	60,000
Issued and fully paid	37,440	37,440

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

<i>Date of allotment</i>	<i>No. of Ordinary Shares</i>	<i>Par Value RM</i>	<i>Purpose</i>	<i>Total RM</i>
19.8.1999	2	1.00	Subscriber's share	2
27.5.2000	9,998	1.00	Cash	10,000
30.1.2002	14,801,000	1.00	Issued as consideration for the acquisition of 75.83% of Grand Carpet Industries Sdn Bhd's ("GCI's") issued and paid up capital	14,811,000
30.1.2002	3,480,000	1.00	Issued as consideration for the acquisition of 49.0% of Sanyco Grand Industries Sdn Bhd's ("Sanyco's") issued and paid up capital	18,291,000
31.1.2002	19,149,000	1.00	Issued as consideration for the acquisition of Machinery & Industrial Supplies Sdn Bhd's ("MIS's") entire issued and paid up capital	37,440,000

The issued and fully paid-up share capital of SMIS after the public issue of 7,360,000 new ordinary shares would be RM44,800,000 comprising 44,800,000 ordinary shares of RM1.00 each.

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**1.3 Restructuring scheme**

In connection with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of SMIS on the Second Board of the KLSE, SMIS undertook the following restructuring scheme which was completed on 31 January 2002:

- i) Acquisition of 1,164,978 ordinary shares of RM1.00 each in GCI, representing 75.83% of the issued and paid-up capital of GCI, for a purchase consideration of RM17,166,219 satisfied by an issuance of 14,801,000 new ordinary shares of RM1.00 each in SMIS at an issue price of approximately RM1.16 per share credited as fully paid-up, and acquisition of 371,324 ordinary shares of RM1.00 each representing the remaining 24.17% of the issued and paid-up capital of GCI for a cash consideration of RM5,471,548 to be settled at a later date.

The purchase consideration of RM22,637,767 for the GCI acquisition was arrived at on a willing-buyer willing-seller basis based on the net tangible assets ("NTA") of GCI and its subsidiary as at 31 December 1999 of RM22,637,767.

- ii) Acquisition of 2,450,000 ordinary shares of RM1.00 each in Sanyco, representing 49.0% of the issued and paid-up capital of Sanyco, for a purchase consideration of RM4,036,821 satisfied by an issuance of 3,480,000 new ordinary shares of RM1.00 each in SMIS at an issue price of approximately RM1.16 per share credited as fully paid-up, and acquisition of 2,550,000 ordinary shares of RM1.00 each representing the remaining 51.0% of the issued and paid-up capital of Sanyco for a cash consideration of RM4,201,589 to be settled at a later date.

The total purchase consideration of RM8,238,410 for the Sanyco acquisition was arrived at on a willing-buyer willing-seller basis based on the NTA of Sanyco as at 31 December 1999 of RM8,238,410.

- iii) Acquisition of 7,210,000 ordinary shares of RM1.00 each in MIS, representing the entire equity interest therein, for a purchase consideration of RM22,225,297 satisfied by an issuance of 19,149,000 new ordinary shares of RM1.00 each in SMIS at an issue price of approximately RM1.16 per share credited as fully paid-up.

The purchase consideration of RM22,225,297 for the MIS acquisition was arrived at on a willing-buyer willing-seller basis based on the NTA of MIS and its associate as at 31 December 1999 of RM22,225,297.

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In connection with the above, SMIS will undertake a public issue of 7,360,000 new ordinary shares of RM1.00 each in SMIS Corporation Berhad comprising:

- i) 3,740,000 new ordinary shares of RM1.00 each available for application at an issue price of RM1.15 per ordinary share payable in full on application; and
- ii) 3,620,000 new ordinary shares of RM1.00 each by way of private placement to identified investors at an issue price of RM1.15 per ordinary share payable in full on application.

The above scheme was approved by the Securities Commission ("SC") on 12 April 2001 and 24 January 2002.

In addition, the SC had on 24 January 2002 approved the payment of special tax exempt dividends of RM3,500,000 by GCI, RM500,000 by Sanyco and RM900,000 by MIS totalling RM4,900,000 to the existing ultimate shareholders of GCI, Sanyco and MIS prior to the restructuring scheme as stated in Note 1.3.

**1.4 Subsidiaries**

The subsidiaries of SMIS, all of which are incorporated in Malaysia, as at the date of this report and their principal activities are as follows:

Name	Date of incorporation	<---Share Capital--->		Interest %	Principal Activities
		Authorised RM	Paid up RM		
GCI	29.9.1983	5,000,000	1,536,302	100	Manufacturing and trading of carpets of all descriptions
Sanyco	14.5.1991	5,000,000	5,000,000	100	Manufacturing of automotive braking components and motorcycle components
MIS	29.10.1975	10,000,000	7,210,000	100	Trading in machinery and industrial parts supplies

**1.5 Financial statements and Auditors**

The financial year end of SMIS and its subsidiaries is 31 December. We have been the auditors of SMIS since the date of its incorporation. We have acted as auditors for GCI and Sanyco since the financial year ended 31 December 1996 and MIS since the financial year ended 31 December 2000. Prior to that, MIS was audited by another firm of accountants.

The Auditors' reports of the SMIS and its subsidiaries for the relevant financial years/period under review were not subject to any qualification.

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## 2 Financial Performance

We set out below the proforma consolidated results of the SMIS Group for the past five years ended 31 December 2000 and 11 month period ended 30 November 2001 after making such adjustments considered necessary assuming that the SMIS Group has been in existence throughout the periods under review.

### 2.1 The SMIS Group – Proforma Consolidated Results

	<----- Year ended 31 December ----->					11 month period ended
	1996	1997	1998	1999	2000	30.11.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	57,531	67,643	35,184	51,479	62,402	61,676
Profit before depreciation and interest	11,229	9,524	3,758	11,272	11,505	11,736
Exceptional items	(498)	730	-	(1,500)	-	-
Depreciation	(1,272)	(1,509)	(1,649)	(1,721)	(1,968)	(1,884)
Interest expense	(1,882)	(1,395)	(887)	(514)	(359)	(219)
Interest income	97	11	477	203	168	72
Profit before taxation	7,674	7,361	1,699	7,740	9,346	9,705
Taxation	(2,102)	(1,827)	(891)	(198)	(2,708)	(2,837)
Profit after taxation	5,572	5,534	808	7,542	6,638	6,868
Profit attributable to shareholders of the Company	5,572	5,534	808	7,542	6,638	6,868
No. of ordinary shares of RM1.00 each ('000)	37,440	37,440	37,440	37,440	37,440	37,440
Earnings per share (RM)						
- Gross	0.20	0.20	0.05	0.21	0.25	0.28 #
- Net	0.15	0.15	0.02	0.20	0.18	0.20 #

# Annualised

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Notes:

- i) The exceptional items relate to:

	<----- Year ended 31 December ----->					11 month period ended
	1996	1997	1998	1999	2000	30.11.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Expenditure carried forward written-off	(498)	-	-	-	-	-
Gain/(Loss) on disposal of investment in subsidiaries in MIS	-	730	-	(1,500)	-	-
	(498)	730	-	(1,500)	-	-

There were no extraordinary and exceptional items during the years/period under review other than as disclosed above.

- ii) The increase in proforma Group revenue for the year ended 31 December 1997 was as a result of the continued growth in the Malaysian economy and local automotive industry.

Proforma Group profit before taxation decreased in spite of the increase in revenue for the year ended 31 December 1997 mainly due to higher cost of imported materials in view of the volatile exchange rates which commenced in mid 1997.

Proforma Group revenue and profit before taxation for the year ended 31 December 1998 declined mainly due to the lower demand for motor vehicles arising from the economic slowdown. This has resulted in lower demand for automotive parts and components manufactured by the Group. The greater decline in proforma Group profit before taxation as compared to proforma Group revenue is mainly due to a loss incurred by a subsidiary during the year due to higher costs of material and certain fixed overhead costs which did not vary with the decline in sales.

Proforma Group revenue and profit before taxation for the years ended 31 December 1999 and 2000 increased as a result of the improvement in the Malaysian economy and an increase in motor vehicle sales.

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- iii) The effective tax rate in 1996 was lower than the statutory tax rate applicable due to the utilisation of unabsorbed capital allowances brought forward and unutilised business losses in one of the subsidiaries incurred in prior years.

The effective tax rate in 1997 was lower than the statutory tax rate applicable due to the availability of Pioneer Status incentive and utilisation of reinvestment allowance in certain subsidiaries. In addition, one of the subsidiaries had an exceptional gain on disposal of investment in subsidiaries which was not taxable.

The effective tax rate in 1998 was higher than the statutory tax rate applicable due to certain expenses being disallowed by Inland Revenue Board (IRB) for tax purposes in respect of a subsidiary and a loss incurred by another subsidiary for the year in which cannot be set off against the profits of the proforma Group for tax purposes.

Income tax was not provided in 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999. The taxation expense for the year relates to deferred taxation.

The effective tax rates in 2000 was higher than the statutory tax rate applicable due to certain expenses which are not deductible for tax purposes.

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**2.2 Notes to the Proforma Consolidated Results**

*2.2.1 Basis of Accounting*

The proforma consolidated results of the SMIS Group for the past five years ended 31 December 2000 and 11 month period ended 30 November 2001 have been prepared in compliance with applicable approved accounting standards in Malaysia.

*2.2.2 Basis of Consolidation*

The proforma consolidated results of the SMIS Group for the past five years ended 31 December 2000 and 11 month period ended 30 November 2001 have been prepared for illustrative purposes only and are based on the audited financial statements of SMIS and its subsidiaries after making such adjustments considered necessary and assuming that the Group has been in existence throughout the period under review.

*2.2.3 Earnings per share (EPS)*

Gross EPS has been calculated based on profit before taxation and net EPS has been calculated based on profit attributable to shareholders of SMIS over the number of shares issued of 37,440,000 ordinary shares of RM1.00 each.

*2.2.4 Dividend*

None of SMIS's subsidiaries have declared or paid dividends during the past five years ended 31 December 2000 and 11 month period ended 30 November 2001 other than as disclosed in Note 1.3.

**2.3 The SMIS Group - Proforma Consolidated Balance Sheets**

As the purchase consideration for the acquisitions is calculated on net tangible assets based on the audited financial statements of the subsidiaries as at 31 December 1999, it is therefore impracticable to present consolidated balance sheets of SMIS Group throughout the periods under review. Accordingly, proforma consolidated balance sheets of the SMIS Group has only been presented in respect of 30 November 2001 based on the latest audited statement of assets and liabilities as at 30 November 2001 as shown in Section 3 of this Report.



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



## 2.4 SMIS

The following financial statements of SMIS are based on the audited financial statements of SMIS for the past period/year ended 31 December 2000 and 11 month period ended 30 November 2001.

## 2.4.1 Summary of results

	<i>Period ended 31 December 1999*</i>	<i>Year ended 31 December 2000</i>	<i>11 month period ended 30.11.01</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Loss for the year	-	2	1

\* Since its date of incorporation on 19 August 1999.

## 2.4.2 Summarised balance sheets

	<i>As at 31 December</i>		<i>As at</i>
	<i>1999</i>	<i>2000</i>	<i>30.11.01</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current assets	- #	10	10
Current liabilities	-	2	3
Net current assets	-	8	7
Financed by:			
Share capital	- #	10	10
Accumulated loss	-	(2)	(3)
Shareholders' funds	-	8	7
NTA (RM'000)	-	8	7
NTA per share (RM)	-	0.80	0.70

# Issued and paid up capital represents 2 ordinary shares of RM1.00 each and current assets consists of cash in hand of RM2.00

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



## 2.5 GCI

The following financial information of GCI are based on the audited financial statements of GCI for the past five years ended 31 December 2000 and 11 month period ended 30 November 2001.

## 2.5.1 Summary of results

	<----- Year ended 31 December ----->					<i>11 month period ended</i>
	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>30.11.01</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Revenue	19,548	22,652	7,483	16,923	25,319	25,582
Profit before depreciation and interest	6,338	5,015	1,517	5,298	6,248	7,039
Exceptional items	(237)	-	-	-	-	-
Depreciation	(567)	(680)	(717)	(793)	(892)	(926)
Interest expense	(745)	(344)	(275)	(230)	(153)	(114)
Interest income	-	8	376	40	89	52
Profit before taxation	4,789	3,999	901	4,315	5,292	6,051
Taxation	(1,435)	(1,049)	(212)	(100)	(1,410)	(1,570)
Profit after taxation	3,354	2,950	689	4,215	3,882	4,481
No. of ordinary shares of RM1.00 each in issue ('000)	1,536	1,536	1,536	1,536	1,536	1,536
Net EPS (RM)	2.18	1.92	0.45	2.74	2.53	3.18 #

# Annualised

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16. ACCOUNTANTS' REPORT (Cont'd)

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Notes:

- i) The increase in revenue in 1997 was a result of the continued growth in the economy and automotive industry until the last quarter of 1997. The decrease in profit before taxation was due to higher cost of purchases during the last quarter in view of the volatile exchange rates.

Revenue and profit before taxation in 1998 decreased as a result of a drop in motor vehicle sales and a slowdown in the economy in the country. The lower profit before tax arose from the decline in revenue coupled with certain fixed overheads that did not vary with the decline in sales.

The increase in profit before taxation in 1999 and 2000 were due to the economic recovery and an improvement in sales of motor vehicles. The increase in revenue for 1999 and 2000 were also due to higher orders from customers in view of the anticipated increase in demand for motor vehicles.

- ii) The effective tax rate in 1996 was higher than the statutory tax rate applicable due to certain expenses being disallowed by the Inland Revenue Board (IRB) for tax purposes.

The effective tax rates in 1997 and 1998 were lower than the statutory tax rate applicable due to the utilisation of reinvestment allowance.

Income tax was not provided in 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999. The taxation expense for the year relates to deferred taxation.

The effective tax rate in 2000 was lower than the statutory tax rate applicable due to the utilisation of reinvestment allowances.

- iii) The net EPS is calculated on the profit after taxation over the number of shares issued of 1,536,000 ordinary shares of RM1.00 each.

- iv) There were no extraordinary and exceptional items during the years/period under review other than that disclosed which relates to expenditure carried forward written off of approximately RM237,000 in 1996.

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



## 2.5.2 Summarised balance sheets

	<----- As at 31 December ----->					As at
	1996	1997	1998	1999	2000	30.11.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	7,573	8,945	10,090	9,710	11,037	11,153
Investment in subsidiary *	2,550	2,550	2,550	2,550	2,550	2,550
Current assets	10,092	10,869	8,606	12,853	15,995	21,245
Current liabilities	6,134	5,432	2,975	2,408	3,180	8,124
Net current assets	3,958	5,437	5,631	10,445	12,815	13,121
	14,081	16,932	18,271	22,705	26,402	26,824
Financed by:						
Share capital	1,536	1,536	1,536	1,536	1,536	1,536
Reserves	11,596	14,546	15,235	19,450	23,332	24,058
Shareholders' funds	13,132	16,082	16,771	20,986	24,868	25,594
Deferred and long term liabilities	949	850	1,500	1,719	1,534	1,230
	14,081	16,932	18,271	22,705	26,402	26,824
NTA (RM'000)	13,132	16,082	16,771	20,986	24,868	25,594
NTA per share (RM)	8.55	10.47	10.92	13.66	16.19	16.66

\* Represents 51% equity interest in Sanyco.

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



## 2.6 Sanyco

The following financial information of Sanyco are based on the audited financial statements of Sanyco for the past five years ended 31 December 2000 and 11 month period ended 30 November 2001.

## 2.6.1 Summary of results

	<----- Year ended 31 December ----->					11 month period ended
	1996	1997	1998	1999	2000	30.11.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	19,547	26,628	12,616	20,253	20,458	20,119
Profit before depreciation and interest	3,258	2,992	246	2,857	3,155	2,928
Exceptional items	(261)	-	-	-	-	-
Depreciation	(374)	(463)	(523)	(523)	(632)	(568)
Interest expense	(760)	(657)	(409)	(149)	(127)	(57)
Interest income	-	-	56	12	-	-
Profit/(Loss) before taxation	1,863	1,872	(630)	2,197	2,396	2,303
Taxation	(307)	(395)	85	(90)	(595)	(726)
Profit/(Loss) after taxation	1,556	1,477	(545)	2,107	1,801	1,577
No. of ordinary shares of RM1.00 each in issue ('000)	5,000	5,000	5,000	5,000	5,000	5,000
Net earnings/(loss) per share (RM)	0.31	0.30	(0.11)	0.42	0.36	0.34 #

# Annualised

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16. ACCOUNTANTS' REPORT (Cont'd)

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Notes:

- i) The increase in revenue and profit before taxation in 1997 was a result of increased demand for Proton cars in the market.

The decrease in revenue in 1998 was due to the significant decrease in demand for Sanyco's products. Sales to Proton declined largely as a result of excess supply of vehicle stocks from the previous years. The loss position in 1998 arose from the decline in revenue coupled with higher costs of materials and certain fixed overhead costs which did not vary with the decline in sales.

The increase in revenue and profit before taxation in 1999 were attributable to overall recovery of the Malaysian economy and the local automotive industry coupled with the easing of financing for car buyers.

There were no material fluctuations in 2000 due to the offsetting effects of the demand for certain products in the product mix.

- ii) The effective tax rate in 1996 was lower than the statutory tax rate due to the utilisation of unabsorbed capital allowances and business losses.

The effective tax rate in 1997 was lower than the statutory tax rate applicable due to the utilisation of business losses and the availability of Pioneer Status incentive granted to Sanyco.

Income tax was not provided in 1998 in view of business losses for the year. The tax credit for the year relates to reversal of deferred tax liability from previous years.

Income tax was not provided in 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999. The taxation expense for the year relates to deferred taxation.

The effective tax rate in 2000 was lower than the statutory rate applicable due to the availability of Pioneer Status incentive. The availability of the Pioneer Status incentive expired on 30 June 2000.

- iii) The net EPS is calculated on the profit after taxation over the number of shares issued of 5,000,000 ordinary shares of RM1.00 each.

- iv) There were no extraordinary and exceptional items during the years/period under review other than that disclosed which relates to expenditure carried forward written off of RM261,000 in 1996 disclosed as exceptional items.

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## 2.6.2 Summarised balance sheets

	<----- As at 31 December ----->					As at
	1996	1997	1998	1999	2000	30.11.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	6,579	6,816	6,722	6,422	6,541	6,098
Current assets	5,891	7,177	4,652	7,453	6,011	7,474
Current liabilities	5,395	5,792	4,222	5,083	2,423	2,328
Net current assets	496	1,385	430	2,370	3,588	5,146
	<b>7,075</b>	<b>8,201</b>	<b>7,152</b>	<b>8,792</b>	<b>10,129</b>	<b>11,244</b>
Financed by:						
Share capital	5,000	5,000	5,000	5,000	5,000	5,000
Reserves	199	1,676	1,131	3,238	5,039	6,116
Shareholders' funds	5,199	6,676	6,131	8,238	10,039	11,116
Deferred and long term liabilities	1,876	1,525	1,021	554	90	128
	<b>7,075</b>	<b>8,201</b>	<b>7,152</b>	<b>8,792</b>	<b>10,129</b>	<b>11,244</b>
NTA (RM'000)	5,199	6,676	6,131	8,238	10,039	11,116
NTA per share (RM)	1.04	1.34	1.23	1.65	2.01	2.22

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## 2.7 MIS

The following financial information of MIS are based on the audited financial statements of MIS for the past five years ended 31 December 2000 and 11 month period ended 30 November 2001.

## 2.7.1 Summary of results

	<----- Year ended 31 December ----->					11 month period ended
	1996	1997	1998	1999	2000	30.11.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	18,436	18,363	15,085	14,303	16,625	15,975
Profit before depreciation and interest	1,633	1,517	1,995	3,117	2,102	2,025
Exceptional items	-	730	-	(1,500)	-	-
Depreciation	(331)	(366)	(409)	(405)	(444)	(390)
Interest expense	(377)	(394)	(203)	(135)	(79)	(48)
Interest income	97	3	45	151	79	20
Profit before taxation	1,022	1,490	1,428	1,228	1,658	1,607
Taxation	(360)	(273)	(764)	(8)	(703)	(541)
Profit after taxation	662	1,217	664	1,220	955	1,066
No. of ordinary shares of RM1.00 each in issue ('000)	7,210	7,210	7,210	7,210	7,210	7,210
Net EPS per share (RM)	0.09	0.17	0.09	0.17	0.13	0.16 #

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Notes :

- i) The increase in profit before taxation in 1997 arose from the gain on disposal of investment in subsidiaries of RM730,000.

The profit before taxation for 1998 held consistent with prior years despite the decrease in revenue as management was consciously monitoring overhead costs.

In 1999, MIS disposed of all its subsidiaries and incurred a loss of RM1,500,000 and also received dividend income from Striker Electric Sdn Bhd, which was disposed of during that year, amounting to RM1,000,000. The revenue in 1999 decreased further due to the spill over of the slowdown in economy. Although the economy had shown improvement from June onwards, customers only increased their orders from the last quarter of 1999. The increase in profit before depreciation and interest in 1999 was mainly due to dividend income received amounting to RM1,020,000.

The increase in revenue and profit before taxation for 2000 were due to recovery of the Malaysian economy.

- ii) The effective tax rates in 1996 and 1998 were higher than the statutory tax rate applicable due to certain expenses being disallowed by Inland Revenue Board (IRB) for tax purposes.

The effective tax rate in 1997 was lower than the statutory tax rate applicable due to exceptional gain on disposal of investment in subsidiaries which was not taxable.

Income tax was not provided in 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999. The taxation expense for the year relates to deferred taxation.

The effective tax rates in 2000 was higher than the statutory tax rate applicable due to certain expenses which are not deductible for tax purposes.

- iii) The net EPS is calculated on the profit after taxation over the number of shares issued of 7,210,000 ordinary shares of RM1.00 each.
- iv) There were no extraordinary and exceptional items during the years/period under review other than the gain on disposal of investment in subsidiaries of RM730,000 in 1997 and the loss on disposal of investment in subsidiaries of RM1,500,000 in 1999 as described in note (i) above.

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## 2.7.2 Summarised balance sheets

	<----- As at 31 December----->					As at
	1996	1997	1998	1999	2000	30.11.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	6,579	6,988	6,753	7,158	7,177	6,895
Interest in subsidiaries	2,985	2,864	2,710	-	-	-
Interest in associate *	2,586	872	1,239	562	371	371
Other investments	3,409	3,409	3,360	-	-	-
Current assets	10,303	11,092	9,271	12,409	12,637	14,724
Current liabilities	10,019	8,684	7,207	2,539	1,693	3,459
Net current assets	284	2,408	2,064	9,870	10,944	11,265
	15,843	16,541	16,126	17,590	18,492	18,531
Financed by:						
Share capital	7,210	7,210	7,210	7,210	7,210	7,210
Reserves	6,923	8,031	8,695	9,915	10,870	11,036
Shareholders' funds	14,133	15,241	15,905	17,125	18,080	18,246
Deferred and long term liabilities	1,710	1,300	221	465	412	285
	15,843	16,541	16,126	17,590	18,492	18,531
NTA (RM'000)	14,133	15,241	15,905	17,125	18,080	18,246
NTA per share (RM)	1.96	2.11	2.21	2.38	2.51	2.53

\* Represents 24.17% equity interest in GCI.

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



## 3 Statement of Assets and Liabilities

The statement of assets and liabilities of SMIS and the Proforma Group which are prepared for illustration purposes are based on the audited financial statements of SMIS, GCI, Sanyco and MIS as at 30 November 2001 and on the assumption that the restructuring scheme of the SMIS Group as stated in Section 1.3 and public issue had been effected on 30 November 2001 and should be read in conjunction with the notes thereon.

<----As at 30 November 2001---->			
	Note	Company Balance Sheet RM'000	Proforma Group Balance Sheet RM'000
<b>Property, plant and equipment</b>	3.2	-	27,750
<b>Current assets</b>			
Inventories	3.3	-	9,551
Trade receivables	3.4	-	24,413
Other receivables, deposits and prepayments		-	3,561
Cash and cash equivalents	3.5	10	6,609
		10	44,134
<b>Current liabilities</b>			
Trade payables	3.6	-	3,652
Other payables and accruals		3	2,154
Borrowings	3.7	-	690
Taxation		-	2,091
Dividends payable		-	4,900
		3	13,487
<b>Net current assets</b>		7	30,647
		7	58,397
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	3.8	10	44,800
Share premium	3.9	-	4,534
Accumulated loss		(3)	(3)
Reserve on consolidation	3.10	-	8,363
<b>Shareholders' funds</b>		7	57,694
<b>Long term and deferred liabilities</b>			
Deferred taxation		-	703
		7	58,397

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

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**3.1 Notes to the Statement of Assets and Liabilities****3.1.1 Summary of Significant Accounting Policies**

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

**3.1.2 Basis of accounting**

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

**3.1.3 Basis of Consolidation**

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

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

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

**3.1.4 Property, plant and equipment**

Property, plant and equipment except for freehold land and construction work-in-progress are stated at cost less depreciation.

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 asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of property, plant and equipment, expected future cash flows are not discounted to their present values. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

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


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**3.1.5 Depreciation**

Freehold land and construction work-in-progress are stated at cost and not depreciated. Long term leasehold land is amortised over the remaining lease period of 91 years.

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

Buildings	2%
Plant and machinery	10%
Office equipment, renovation, furniture and fittings	2% - 20%
Moulds and jigs	10% - 33.3%
Motor vehicles	20%

**3.1.6 Inventories**

Raw materials, work-in-progress and manufactured inventories are stated at the lower of cost and net realisable value with first-in-first-out being the main basis for cost. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

**3.1.7 Trade receivables**

Known bad debts are written off and allowances are made for debts considered doubtful based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

**3.1.8 Cash and Cash Equivalents**

Cash and cash equivalents consists 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.

**3.1.9 Assets under hire purchase**

Property, plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and depreciated over their estimated useful lives in accordance to the policy set out in Note 3.1.5 and the corresponding obligation relating to the remaining capital payments are treated as a liability. The interest element of the hire purchase instalment is charged to the income statement over the period of the hire purchase and accounted for on the sum of digits method.

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


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**3.1.10 Taxation**

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

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

**3.1.11 Foreign currency transactions**

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

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

1 USD	RM 3.8000
1 AUD	RM 2.0055
1 DM	RM 1.6880
100 JYP	RM 3.1700
100 BEF	RM 8.1900
100 SEK	RM 34.8800

**3.1.12 Revenue**

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

**3.1.13 Interest income**

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

**3.1.14 Dividend income**

Dividend income is recognised when the right to receive payment is established.

**3.1.15 Finance costs**

All interest and costs incurred in connection with borrowings are expensed as incurred.

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



## 3.2 Property, plant and equipment

*Proforma Group*

	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Freehold land	2,231	-	2,231
Long term leasehold land	2,582	317	2,265
Buildings	14,698	1,851	12,847
Plant and machinery	10,883	6,705	4,178
Office equipment, renovation & furniture and fittings	2,604	1,438	1,166
Moulds & jigs	529	317	212
Motor vehicles	2,364	1,588	776
Construction work-in-progress	471	-	471
	<u>36,362</u>	<u>12,216</u>	<u>24,146</u>
Add: Proposed acquisition of plant and machinery (Note 3.11)	3,604	-	3,604
	<u>39,966</u>	<u>12,216</u>	<u>27,750</u>

- 3.2.1 The title to the freehold land costing RM1,555,482 is pending registration to the name of a subsidiary.
- 3.2.2 Land and buildings costing RM18,241,102 are pledged/assigned to banks as security for borrowings.
- 3.2.3 The net book value of motor vehicles acquired under hire purchase arrangements amounted to RM89,564

## 3.3 Inventories

	<i>Proforma Group RM'000</i>
<i>At cost</i>	
Raw materials	2,411
Work-in-progress	955
Finished goods	548
Trade inventories	<u>5,625</u>
	9,539
<i>At net realisable value</i>	
Trade inventories	12
	<u>9,551</u>

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



## 3.4 Trade receivables

	<i>Proforma Group RM'000</i>
Trade receivables	24,874
Less: Allowance for doubtful debts	(461)
	<u>24,413</u>

Included in trade receivables of the Proforma Group is an amount due from companies in which certain Directors of the subsidiaries of the Proforma Group have interest amounting to RM2,668,783. The amount is unsecured, interest free and subject to normal credit terms.

## 3.5 Cash and cash equivalents

	<i>Company RM'000</i>	<i>Proforma Group RM'000</i>
Deposits with other corporation	-	2,000
Cash and bank balances	10	4,609
	<u>10</u>	<u>6,609</u>

## 3.6 Trade payables

Included in trade payables of the Proforma Group is an amount due to companies in which Directors of the subsidiary of the Proforma Group have interest amounting to RM140,308. The amount is unsecured, interest free and subject to normal credit terms.

## 3.7 Borrowings

	<i>Proforma Group RM'000</i>
Current	
Term loan – secured	128
Trust receipts – secured	532
Hire purchase liabilities	30
	<u>690</u>



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



## 3.7.1 Terms and debt repayment schedule

The term loan of the Proforma Group is subjected to interest at 1.50% to 1.75% per annum above the lending bank's base lending rate. Hire purchase liabilities are subject to fixed interest ranging from 6.00% to 8.00% per annum.

The term loan of the Proforma Group is secured by way of fixed charge created over the long term leasehold land and freehold land and buildings of the Proforma Group and the fixed and floating assets of a subsidiary.

## 3.7.2 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	<i>Payments</i> RM'000	<i>Interest</i> RM'000	<i>Principal</i> RM'000
Less than one year	33	3	30

## 3.8 Share capital

	<i>Company</i> RM'000	<i>Proforma</i> <i>Group</i> RM'000
<i>Ordinary shares of RM1.00 each:</i>		
Authorised	100	60,000
Issued and Paid up		
Balance as at 30 November 2001	10	10
* 14,801,000 new ordinary shares at an issue price of approximately RM1.16 per share issued for the acquisition of GCI's entire issued and paid up capital	-	14,801
* 3,480,000 new ordinary shares at an issue price of approximately RM1.16 per share issued for the acquisition of Sanyco's entire issued and paid up capital	-	3,480
* 19,149,000 new ordinary shares at an issue price of approximately RM1.16 per share issued for the acquisition of MIS's entire issued and paid up capital	-	19,149
* Public Issue of 7,360,000 new ordinary shares at issue price of RM1.15 per ordinary shares	-	7,360
	10	44,800

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



## 3.9 Share premium

	<i>Proforma Group RM'000</i>
Balance as at 30 November 2001	-
* 14,801,000 new ordinary shares at an issue price of approximately RM1.16 per share issued for the acquisition of GCI's entire issued and paid up capital	2,365
* 3,480,000 new ordinary shares at an issue price of approximately RM1.16 per share issued for the acquisition of Sanyco's entire issued and paid up capital	557
* 19,149,000 new ordinary shares at an issue price of approximately RM1.16 per share issued for the acquisition of MIS's entire issued and paid up capital	3,076
* Public Issue of 7,360,000 new ordinary shares at issue price of RM1.15 per ordinary shares	1,104
	<u>7,102</u>
Less: Estimated listing expenses	<u>(2,568)</u>
	<u>4,534</u>

## 3.10 Reserve on consolidation

	<i>Proforma Group RM'000</i>
Net assets of companies acquired by SMIS as at 30 November 2001	51,791
Total purchase consideration to SMIS	53,100
Less: Acquisition of 24.17% equity interest in GCI by SMIS from MIS	(5,471)
Acquisition of 51% equity interest in Sanyco by SMIS from GCI	(4,201)
Purchase consideration to SMIS Group	43,428
Reserve on consolidation	<u>8,363</u>

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



## 3.11 Capital commitment

	<i>Proforma Group RM'000</i>
Approved and contracted for	2,966
Approved but not contracted for	686
	<u>3,652</u>
Less: Proposed acquisition of plant and machinery (Note 3.2)	<u>(3,604)</u>
	<u>48</u>

## 3.12 Proforma Consolidated Cash Flow Statement

The proforma consolidated cash flow statement of SMIS Group, prepared for illustration purposes is based on the audited financial statements of SMIS, GCI, Sanyco and MIS for the 11 month period ended 30 November 2001 and on the assumption that the Group has been in existence throughout the 11 month period ended 30 November 2001 and that the acquisitions and the public issue referred to in Note 1.3 have been completed on 30 November 2001.

	<i>Company RM'000</i>	<i>Proforma Group RM'000</i>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(1)	9,705
Adjustments for:		
Allowance for doubtful debts	-	100
Depreciation	-	1,884
Interest expenses	-	249
Allowance for doubtful debts written back	-	(60)
Gain on disposal of property, plant and equipment	-	(133)
Interest income	-	(72)
Unrealised foreign exchange gain	-	(30)
Operating (loss)/profit before working capital changes	<u>(1)</u>	<u>11,643</u>
Changes in working capital:		-
Inventories	-	81
Trade and other receivables	-	(8,648)
Trade and other payables	1	2,052
Borrowings	-	(380)
Cash generated from operating activities	<u>-</u>	<u>4,748</u>
Interest paid	-	(249)
Interest received	-	72
Tax paid	-	(2,495)
<b>Net cash generated from operating activities</b>	<u>-</u>	<u>2,076</u>

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



	<i>Company</i> <i>RM'000</i>	<i>Proforma</i> <i>Group</i> <i>RM'000</i>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(5,127)
Proceeds from disposal of property, plant and equipment	-	410
<b>Net cash used in investing activities</b>	<u>-</u>	<u>(4,717)</u>
<b>Cash flows from financing activities</b>		
Repayment of loans	-	(2,194)
Payment of hire purchase liabilities	-	(137)
Proceeds from public issue, net of listing expenses	-	5,896
<b>Net cash generated from financing activities</b>	<u>-</u>	<u>3,565</u>
Net increase in cash and cash equivalents	-	924
Cash and cash equivalents at beginning of the period	10	5,685
Cash and cash equivalents at end of the period	<u>10</u>	<u>6,609</u>

**Notes to Proforma Consolidated Cash Flow Statement***i) Purchase of property, plant and equipment*

During the period, the SMIS Group acquired property, plant and equipment amounting to RM5,157,000 (including the proposed acquisition of plant and machinery of RM3,604,000 as spelt out in Note 3.2) of which RM30,000 was acquired by means of hire purchase.

*ii) Cash and cash equivalents*

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

	<i>Company</i> <i>RM'000</i>	<i>Proforma</i> <i>Group</i> <i>RM'000</i>
Deposit with other corporation	-	2,000
Cash and bank balances	10	4,609
	<u>10</u>	<u>6,609</u>

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



### 3.13 Proforma net tangible asset cover

Based on the statement of assets and liabilities of the proforma SMIS Group as at 30 November 2001, the net tangible assets ("NTA") cover per share is calculated as follows:

	<i>Proforma Group</i>
NTA per statement of assets and liabilities of the proforma SMIS Group as at 30 November 2001 (RM'000)	<u>57,694</u>
Number of ordinary shares of RM1.00 each assumed in issue ('000)	<u>44,800</u>
Proforma NTA cover per share of RM1.00 each (RM)	<u>1.29</u>

### 3.14 Events subsequent to balance sheet date of 30 November 2001

Based on the audited financial statements for the period ended 30 November 2001 and other than the completion of the acquisitions as referred to in Note 1.3 (i) to (iii), no events have arisen subsequent to the balance sheet date which requires disclosure in this report.

### 3.15 Audited financial statements

No audited financial statements have been prepared in respect of any period subsequent to 30 November 2001.

Yours faithfully

**KPMG**

Firm Number: AF: 0758

Chartered Accountants

**Chan Kam Chiew**

Partner

Approval Number: 2055/6/02 (J)

## 17. VALUATION CERTIFICATE

(Prepared for inclusion in this Prospectus and to be read in conjunction with Section 13.2 of this Prospectus)



**HENRY BUTCHER,**  
Lim & Long Sdn. Bhd. (160636-P)

No. 25, Jalan Yap Ah Shak, Off Jalan Dang Wangi, 50300 Kuala Lumpur, Malaysia.  
Fax: 03-26925771 (Marketing), 03-26943484 (Valuation), 03-26941261 (Agency), 03-26945543 (Admin)  
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INTERNATIONAL, REAL ESTATE AND PLANT & MACHINERY  
CONSULTANTS, VALUERS, AUCTIONEERS, AGENTS,  
PROJECT AND PROPERTY MANAGERS.

Date: 7<sup>th</sup> March, 2002

**The Board of Directors**  
**SMIS Corporation Berhad**  
11<sup>th</sup> Floor, Wisma Damansara,  
Jalan Semantan,  
Damansara Heights,  
50490 Kuala Lumpur.

Dear Sirs,

### **VALUATION OF PROPERTIES BELONGING TO SMIS CORPORATION BERHAD.**

This Certificate has been prepared for inclusion in the Prospectus of SMIS Corporation Berhad to be dated 13<sup>th</sup> March, 2002 issued in connection with the public issue of 7,360,000 ordinary shares of RM 1.00 each at an issue price of RM1.15 per ordinary share pursuant to the listing of and quotation for its entire issued and paid-up share capital on the Second Board of Kuala Lumpur Stock Exchange.

We were instructed by SMIS to value the properties set out below, the details of which are shown in our Valuation Reports dated June 1, 2000 under references V/W4-2000/0488, V/B04-2000/0494, V/B04-2000/0496, V/W04-2000/0489, V/W04-00/0490, V/B04-00/0491, V/B04-2000/0492, V/B04-2000/0493 and V/W04-2000/0495. We confirm that we have valued the properties based on the Comparison and Investment methods of valuation. The Comparison Method is the market approach of comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at our opinion of value. The Investment Method of valuation involves the computation of the estimated Market Rental which the subject property can reasonably be let for. Outgoings, such as property tax, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is then capitalized at an appropriate current market yield to arrive at its indicative capital value.

The valuation reports have been prepared in accordance with the Guidelines on Asset Valuations for Submission to the Securities Commission issued by the Securities Commission and are in compliance with the Manual of Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and other professional bodies and with the necessary professional responsibility and due diligence.

#### THE INTERNATIONAL NETWORK

• Hong Kong • Singapore • Manila • London • Birmingham • Leeds • Bristol • Cardiff • Edinburgh • Glasgow • Aberdeen  
• Dublin • Belfast • Leicester • Southampton • Warsaw • Associates throughout Europe, Australasia, North and South America

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17. VALUATION CERTIFICATE *(Cont'd)*

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Pursuant to the instructions, we inspected the subject properties on 17 and 18 April, 2000 and 1 June, 2000 and have taken the date of our valuation report as the date of valuation, details of which are attached overleaf.

The details of the titles were extracted from private random searches carried out at the Kuala Lumpur Registry of Land Titles, Klang Land Office and Sale & Purchase Agreements, and are assumed to be correct for the purpose of the abovementioned exercise.

Our opinion of the Market Values of the subject properties, based on our Valuation Reports are attached below.

Yours faithfully,  
**HENRY BUTCHER, Lim & Long Sdn. Bhd.**

  
**LONG TIAN CHEK**  
B.Sc, MRICS, MIS(M)  
Registered Valuer (V-241)

## 17. VALUATION CERTIFICATE (Cont'd)

**A. Properties held for Owner Occupation**

Date Of Inspection/Date of Valuation/Ref No.	Location	Property Description	Valuation Method	Market Value for the Existing Use
April 17, 2000/ June 1, 2000/ V/W04-2000/0488	1) The subject property comprises a double storey detached warehouse with 3 storey frontal office annexe bearing postal address No. 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.	The building is approximately 5 years old and issued with Temporary Certificate of Fitness for Occupation (TCFO).  The total gross floor area is estimated at 41,621 sq. ft. (3,866.50 sq.m.)  The subject property is held under Pajakan Negeri 24544, Lot 448, Section 92, Town of Kuala Lumpur, State of Wilayah Persekutuan.  Provisional Land Area : 39,666 sq.ft. (3,685 sq.m.)  Tenure : Leasehold for a term of 66 years expiring on January 30, 2046, thus leaving an unexpired term of about 46 years.  Registered Owner : Machinery & Industrial Supplies Sdn. Bhd.	Comparison and Investment Methods.	RM 4,200,000
June 1, 2000/ June 1, 2000/ V/B04-2000/0494	2) The subject property comprises an industrial land erected with single and double storey office annexed. It bears postal address Lot 3, Jalan Sultan Hishamuddin 2, Kawasan Perusahaan Selat Kelang Utara, 42000 Port Klang, Selangor Darul Ehsan.	The building is approximately 10 years old and issued with Certificate of Fitness for Occupation (CFO).  The total gross floor area is estimated at 110,979 sq. ft. (10,310.26 sq.m.)  The subject property is held under HS(M) 20756, Lot No. PT 4245, Mukim of Kapar, District of Klang, State of Selangor Darul Ehsan.  Provisional Land Area : 1,2151 hectares (130,680 sq.ft. or 12,151 sq.m.)  Tenure : Leasehold 99 years expiring on June 9, 2086 with an unexpired term of approximately 86 years remaining.  Registered Owner : Grand Carpet Industries Sdn. Bhd.	Comparison and Investment Methods.	RM 8,300,000



## 17. VALUATION CERTIFICATE (Cont'd)



Date Of Inspection/Date of Valuation/ Ref No.	Location	Property Description	Valuation Method	Market Value for the Existing Use
June 1, 2000/ June 1, 2000/ V/B04-2000/0496	3) The subject property comprises two single storey factories with office annexed bearing postal address No. 3, Jalan U1/15, HiCom Glenmarie Industrial Park, 40150 Shah Alam, Selangor.	<p>The building is approximately 4 years old and had been issued with Certificate of Fitness for Occupation (CFO).</p> <p>The total gross floor area is estimated at 23,038.80 sq. ft. (2,140.37 sq.m.)</p> <p>Individual title pertaining to the subject property has not been issued as yet. The subject property is held under Master Title/Master Lot No : Geran 24238 / Lot 29 respectively, Mukim of Damansara, District of Kelang, State of Selangor.</p> <p>Tenure : Freehold. Subject Plot No. : Lot No. 75, at HiCom Glenmarie Industrial Park (Phase 2A) Subject Land Area : 70,403 sq.ft. (1.616 acres or 6,540.65 sq.m.) Beneficial Owner : Sanyco Grand Industries Sdn. Bhd.</p> <p>Registered Owner : Horsedale Development Sdn. Bhd.</p>	Comparison and Investment Methods.	RM 5,600,000

## 17. VALUATION CERTIFICATE (Cont'd)

**B. Properties held for investment**

Date Of Inspection/Date of Valuation/Ref No.	Location	Property Description	Valuation Method	Market Value for the Existing Use
April 18, 2000/ June 1, 2000/ V/W04-2000/0489	4) The subject property comprises 4 contiguous and adjacent parcels of commercial land identified as Lot Nos. 95, 945, 946 and 1112, Jalan Changkat Thambi Dollah, Kuala Lumpur.	<p>The subject property is held under Title Nos. : HS(D) 9346, HS(D) 9345, GRN 26478 &amp; GRN 43043, Lot Nos. : 946, 945, 1112 and 95 respectively, Section 62, Town of Kuala Lumpur, State of Wilayah Persekutuan.</p> <p>Tenure : Freehold Land Area : - Lot 946 – 26.384 sq.m. (284 sq.ft.) - Lot 945 – 79.151 sq.m. (852 sq.ft.) - Lot 1112 – 65.00 sq.m. (700 sq.ft.) - Lot 95 – 275.17 sq.m. (2,962 sq.ft.)</p> <p>Registered Owner : Machinery &amp; Industrial Supplies Sdn. Bhd.</p>	Comparison Method	RM 1,200,000
June 1, 2000/ June 1, 2000/ V/B04-00/0490	5) The subject property comprises 2 adjoining units of 4 storey shop office bearing postal address No. 50 & 52, Jalan Brunei Utara, Kuala Lumpur.	<p>The age of the building is approximately 22 years old.</p> <p>The total gross floor area is estimated at 12,892 sq. ft. (1,197.1 sq.m.). The first to the top floors are vacant whilst the ground floors are both shop lots and are rented for RM 14,500 per month from 1<sup>st</sup> September 1999 to 1<sup>st</sup> September 2001.</p> <p>The subject property is held under Title Nos. Geran 12347 &amp; Geran 12348, Lots 927 &amp; 928 respectively, Town of Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan.</p> <p>Land Area : - Lot 927 – 150 sq.m. (1,615 sq.ft.) - Lot 928 – 152 sq.m. (1,636 sq.ft.)</p> <p>Tenure : Freehold</p> <p>Registered Owner : Machinery &amp; Industrial Supplies Sdn. Bhd.</p>	Comparison and Investment Method	RM 1,650,000

## 17. VALUATION CERTIFICATE (Cont'd)



Date Of Inspection/Date of Valuation/Ref No.	Location	Property Description	Valuation Method	Market Value for the Existing Use
June 1, 2000/ June 1, 2000/ V/B04-00/0491	6) The subject property comprises one unit of three storey shop office bearing postal address No. 34, Jalan B 25/B, Taman Perindustrian AXIS, Section 25, 40400 Shah Alam, Selangor Darul Ehsan.	<p>The building is approximately 5 years old and had been issued with Certificate of Fitness for Occupation (CFO).</p> <p>The gross built-up area is estimated at 6,314 sq. ft. (586.60 sq.m.). At the time of our inspections, the subject property is vacant.</p> <p>The individual title pertaining to the subject property has not been issued as yet. The subject property is held under Master Title Nos. Geran 38260, Geran 36009 and Geran Mukim 1599, Master Lot Nos. 3449, 54654 and Lot 2383 respectively, Mukim of Kelang, State of Selangor.</p> <p>Individual Land Area : approximately 1,540 sq.ft. (143 sq.m.) Tenure : Freehold</p> <p>Beneficial Owner : Machinery &amp; Industrial Supplies Sdn. Bhd.</p>	Comparison Method & Investment Method	RM 595,000
June 1, 2000/ June 1, 2000/ V/B04-2000/0492	7) The subject property comprises two (2) units of an intermediate and end lot of three storey shophouse bearing postal address No. 21 & 23 (Developer's Plot No. 119 & 118), Taman Kenanga, Bandar Baru Salak Tinggi, 83800 Dengkil, Selangor Darul Ehsan.	<p>The gross floor area is estimated at 4,620 sq. ft. (429.21 sq.m.) each. At the time of our inspections, the subject property is under construction and is about 95% completed. The building is approximately 1 year old and pending for Certificate of Fitness for Occupation (CFO).</p> <p>The individual title pertaining to the subject property has not been issued as yet. The subject property is held under Master Title Nos. Geran 7537, 7575 and 7576, Master Lot Nos. 3121, 3123 and 3467 respectively, Mukim of Dengkil (formerly Kajang), District of Sepang (formerly Ulu Langat), State of Selangor.</p> <p>Individual Land Area : approximately 1,540 sq.ft. (143.07 sq.m.) Tenure : Freehold Beneficial Owner : Machinery &amp; Industrial Supplies Sdn. Bhd.</p>	Comparison Method	RM 840,000

## 17. VALUATION CERTIFICATE (Cont'd)

**C. Properties being developed**

Date Of Inspection/Date of Valuation/Ref No.	Location	Property Description	Valuation Method	Market Value for the Existing Use
June 1, 2000/ June 1, 2000/ V/W04-2000/0495	8) The subject property comprises a 42 <sup>nd</sup> Floor service suite within a high-rise commercial building housing retails and service apartment block. It bears postal address Parcel No. A-42-09(E), Berjaya Star City, Jalan Imbi, Section 52, 55100 Kuala Lumpur.	<p>At the time of our inspections, the subject property is under construction. We also note that total progress payments incurred by the client as at March 21, 2000 is RM 165,504.90 which is equivalent to 55% of the total payment to be made.</p> <p>The floor area as stated in the Sale &amp; Purchase Agreement is approximately 578 sq.ft. (53.70 sq.m.)</p> <p>The individual title pertaining to the subject property has not been issued as yet. The subject property is held under Master Title Nos. Geran 7866 and Geran 10798, Master Lot Nos. 339 and 145 respectively, Town of Kuala Lumpur, District of Wilayah Persekutuan, State of Wilayah Persekutuan.</p> <p>Tenure : Not confirm as the individual strata title not issued yet.</p> <p>Beneficial Owner : Grand Carpet Industries Sdn. Bhd.</p>	Comparison Method	RM 300,000

## 17. VALUATION CERTIFICATE (Cont'd)



Date Of Inspection/Date of Valuation/Ref No.	Location	Property Description	Valuation Method	Market Value for the Existing Use
June 1, 2000/ June 1, 2000/ V/W04-2000/0493	9) The subject property comprises a 34 <sup>th</sup> Floor service suite within a high-rise commercial building housing retails and service apartment block. It bears postal address Parcel No. B-34-020(E), Berjaya Star City, Jalan Pudu, Section 52, 55100 Kuala Lumpur.	<p>At the time of our inspections, the subject property is under construction. We also note that total progress payments incurred by the client as at February 26, 2000 is RM 159,904.90 which is equivalent to 55% of the total payment to be made.</p> <p>The floor area as stated in the Sale &amp; Purchase Agreement is approximately 578 sq.ft. (53.70 sq.m.)</p> <p>The individual title pertaining to the subject property has not been issued as yet. The subject property is held under Master Title Nos. Geran 7866 and Geran 10798, Master Lot Nos. 339 and 145 respectively, Town of Kuala Lumpur, District of Wilayah Persekutuan, State of Wilayah Persekutuan.</p> <p>Tenure : Not confirm as the individual strata title not issued yet</p> <p>Beneficial Owner : Machinery &amp; Industrial Supplies Sdn. Bhd.</p>	Comparison Method	RM 288,000

**LONG TIAN CHEK**  
B.Sc, MRICS, MIS(M)  
Registered Valuer (V-241)

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18. DIRECTORS' REPORT

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(Prepared for inclusion in this Prospectus)

**SMIS CORPORATION BERHAD**

Company No: 491857-V

**Registered Office:-**

11th Floor, Wisma Damansara  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur

7 March 2002


The Shareholders  
SMIS Corporation Berhad  
11th Floor, Wisma Damansara  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur

Dear Sir/Madam

On behalf of the Directors of SMIS Corporation Berhad ("SMIS"), I report after due inquiry that during the period from 30 November 2001 (being the date to which the last proforma audited accounts of SMIS and its subsidiaries ("Group") have been made up) to 7 March 2002 (being a date not earlier than fourteen (14) days before the issue of this Prospectus):-

- (a) the business of the 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 SMIS and its subsidiaries which have adversely affected the trading or the values of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group; and
- (e) save as disclosed in this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profit of the Group.

Yours faithfully  
For and on behalf of the Board of Directors of  
**SMIS CORPORATION BERHAD**

  
Ng Wai Kee  
Executive Director