
19. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



20 May, 2002

The Board of Directors
STONE MASTER CORPORATION BERHAD
No. 78, Jalan SS21/39
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Selangor

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Dear Sirs,

1. INTRODUCTION

This report has been prepared by Arthur Andersen & Co., an approved company auditor, for inclusion in the Prospectus of Stone Master Corporation Berhad (hereinafter referred as "SMCB" or "the Company") to be dated 29, May, 2002 in connection with the public issue of 1,650,000 new ordinary shares of RM1.00 each and the offer for sale of 3,420,000 ordinary shares of RM1.00 each at an issue/offer price of RM1.15 per share and the listing of and quotation for the entire issued and fully paid-up shares of SMCB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

This report has been prepared on a basis consistent with the accounting policies normally adopted by SMCB and its subsidiaries, which are in accordance with applicable approved accounting standards issued or adopted by the Malaysian Accounting Standards Board.

2. GENERAL INFORMATION

2.1 Background

SMCB was incorporated on 11 November, 1999 under the Companies Act, 1965 as a public limited company. The principal activity of the Company is that of investment holding.

2.2 Restructuring and flotation scheme

As an integral part of the listing of and quotation of the entire issued and paid-up share capital of the Company on the Second Board of the KLSE, the Company undertook the following flotation scheme which was approved by the Foreign Investment Committee ("FIC") on 6 June, 2000 and 20 March, 2002, the Ministry of International Trade and Industry ("MITI") on 22 July, 2000 and 13 December, 2001 and the Securities Commission ("SC") on 4 January, 2001 and 29 January, 2002.

19. ACCOUNTANTS' REPORT (Cont'd)

The scheme involved the following:

- (i) Acquisition of the entire issued and paid-up share capital of the following companies for a total consideration of RM40,349,304 by way of issue of 40,340,000 new ordinary shares in SCMB at par, ("The Acquisitions"). The Acquisitions are summarised as follows:

Company	Number of shares acquired	Equity interest acquired %	Purchase consideration RM	Number of new shares in SCMB issued
S.P. Granite Sdn Bhd ("SPG")	10,000,000	100	34,072,114	34,064,257
Rainbow Marble & Tiling Sdn. Bhd. ("RMT")	1,000,000	100	4,886,039	4,884,913
Far East Marble & Tiling Sdn. Bhd. ("FEMT")	50,000	100	1,391,151	1,390,830
			<u>40,349,304</u>	<u>40,340,000</u>

- (ii) Public issue of 1,650,000 new ordinary shares of RM1.00 each in SMCB at an issue price of RM1.15 per share to eligible employees of the SMCB Group and the Malaysian public ("Public Issue"); and
- (iii) Offer for sale of 3,420,000 ordinary shares of RM1.00 each at an offer price of RM1.15 per share to the Malaysian public and to identified investors by way of private placement ("Offer for Sale").

The Acquisitions have been completed on 1 April, 2002.

2.3 Share Capital

The authorised share capital of the Company is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each. The present issued and paid-up capital of the Company is RM40,350,000 comprising 40,350,000 ordinary shares of RM1.00 each.

Details of changes in the issued and paid-up share capital of SMCB since incorporation are as follows:

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Date of Allotment	Number of ordinary shares of RM1.00 each	Consideration	Number of ordinary shares of RM1.00 each
11.11.1999	10,000	Cash; subscribers' share	10,000
01.04.2002	40,340,000	Issuance of shares as consideration, for the acquisition of:	
		- SPG	34,064,257
		- RMT	4,884,913
		- FEMT	1,390,830
			<u>40,350,000</u>

2.4 Subsidiaries of SMCB

The information on the subsidiaries, all of which are private limited companies incorporated in Malaysia are as follows:

(i) SPG

SPG was incorporated in Malaysia under the Companies Act, 1965, as a private limited company on 13 May, 1989. The authorised and issued and paid-up share capital as at the date of this report is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. SPG is a wholly-owned subsidiary of SMCB.

SPG is principally engaged in the manufacturing and trading of marble and granite products and in trading of ceramic tiles and contract works.

(ii) Stone Master (M) Sdn Bhd ("SM(M)SB")

SM(M)SB was incorporated in Malaysia under the Companies Act, 1965, as a private limited company on 19 October, 1991. The authorised and issued and paid-up share capital as at the date of this report is RM5,000,000 and RM1,500,000 respectively, comprising 5,000,000 and 1,500,000 ordinary shares of RM1.00 each. SM(M)SB is a wholly-owned subsidiary of SPG.

SM(M)SB is principally engaged as a marble and granite merchant, a contractor and in trading of ceramic tiles, sanitary ware and related products.

(iii) Fastra Sdn Bhd ("FSB")

FSB was incorporated in Malaysia under the Companies Act, 1965, as a private limited company on 10 August, 1987. The authorised and issued and paid-up share capital as at the date of this report is RM25,000 and RM20,000 respectively, comprising 25,000 and 20,000 ordinary shares of RM1.00 each. FSB is a wholly-owned subsidiary of SPG. As at the date of this report, FSB has not commenced operations.

19. ACCOUNTANTS' REPORT (Cont'd)

(iv) **Stone Arena Sdn Bhd ("SASB")**

SASB was incorporated in Malaysia under the Companies Act, 1965, as a private limited company on 22 July, 1997. The authorised and issued and paid-up share capital as at the date of this report is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. SPG has an 80% equity interest in SASB.

SASB is principally engaged in trading of marble, granite, ceramic tiles and sanitary ware.

(v) **Stone Avenue Sdn Bhd ("SAVSB")**

SAVSB was incorporated in Malaysia under the Companies Act, 1965, as a private limited company on 5 December, 1996 as Quantum Rainbow Sdn. Bhd. Subsequently, on 10 January, 1997, the name was changed to Stone Avenue Sdn. Bhd.. The authorised and issued and paid-up share capital as at the date of this report is RM5,000,000 and RM500,000 respectively, comprising 5,000,000 and 500,000 ordinary shares of RM1.00 each. SPG has a 60% equity interest in SAVSB.

SAVSB is principally engaged in trading of marble, granite, ceramic tiles and sanitary ware.

(vi) **RMT**

RMT was incorporated in Malaysia under the Companies Act, 1965, as a private limited company on 28 November, 1986. The authorised and issued and paid-up share capital as at the date of this report is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. RMT is a wholly-owned subsidiary of SMCB.

RMT is principally engaged in trading of marble, granite, ceramic tiles and sanitary ware.

(vii) **FEMT**

FEMT was incorporated in Malaysia under the Companies Act, 1965, as a private limited company on 10 November, 1988. The authorised and issued and paid-up share capital as at the date of this report is RM100,000 and RM50,000 respectively, comprising 100,000 and 50,000 ordinary shares of RM1.00 each. FEMT is a wholly-owned subsidiary of SMCB.

FEMT is principally engaged in trading of marble, granite, ceramic tiles and sanitary ware.

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

2.5 Auditors and Audited Financial Statements

We were appointed as the first auditors of SMCB with effect from the financial period ended 31 March, 2001. The said financial statements were reported by us without any qualification.

The financial statements of SPG, SM(M)SB, FSB, SASB, SAVSB, RMT and FEMT for the relevant financial periods/years covered in this report were audited by firms of chartered accountants other than Arthur Andersen & Co.. Their reports under review were not subject to any qualification other than the inclusion of an emphasis of matter as documented below:

- (i) An emphasis of matter in respect of the going concern of FEMT was made in the audited financial statements for the financial years ended 31 December, 1995 and 1996 as FEMT had a shareholder's deficit of RM298,249 and RM415,389 respectively.
- (ii) An emphasis of matter pertaining to the recoverability of certain trade receivables amounting to RM640,465 was made in the audited financial statements of FEMT for the financial year ended 31 March, 2001.

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3.0 TRACK RECORD OF PROFIT PERFORMANCE OF THE PROFORMA GROUP

3.1 Track record of profit performance

We set out below the proforma consolidated income statements of SMCB and its proposed subsidiaries ("the Group") for the past five (5) financial years ended 31 March, 1997 to 2001 and the 8 month period ended 30 November, 2001 (except for companies which have been incorporated for less than five years). The proforma consolidated results are provided for illustrative purposes only, assuming that the Group had been in existence throughout the financial years under review.

	Financial Year Ended 31 March					8 months ended
	1997	1998	1999	2000	2001	30 November, 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	46,036	59,730	59,018	68,458	78,471	65,842
Other operating income	72	108	206	194	176	190
Changes in raw materials and consumables	(953)	82	398	(808)	(59)	(183)
Changes in stock of retail goods and work in progress	5,639	520	1,228	4,870	2,691	4,324
Raw materials & consumables purchased	(5,504)	(4,276)	(5,703)	(6,599)	(8,608)	(6,100)
Retail goods purchased	(24,257)	(29,500)	(29,196)	(35,150)	(39,766)	(39,778)
Staff cost	(4,233)	(4,737)	(4,797)	(5,887)	(6,900)	(3,792)
Depreciation	(268)	(463)	(532)	(1,786)	(1,976)	(1,530)
Other operating expenses	(9,653)	(11,595)	(11,507)	(12,838)	(12,354)	(11,015)
Profit from operations	6,879	9,869	9,115	10,454	11,675	7,958
Finance cost	(2,230)	(3,458)	(3,099)	(1,876)	(2,043)	(1,576)
Profit before taxation	4,649	6,411	6,016	8,578	9,632	6,382
Taxation	(1,756)	(2,406)	(284)	(2,303)	(3,078)	(2,302)
Profit after taxation	2,893	4,005	5,732	6,275	6,554	4,080
Minority interests	-	67	24	(100)	102	156
Profit for the year attributable to the shareholders of the Company	2,893	4,072	5,756	6,175	6,656	4,236

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	Financial Year Ended 31 March					8 months ended
	1997	1998	1999	2000	2001	30 November, 2001
Number of ordinary shares of RM1.00 each assumed to be in issue ('000)	40,350	40,350	40,350	40,350	40,350	40,350
Gross earnings per share (sen)	11.5	15.9	14.9	21.3	23.9	23.7*
Net earnings per share (sen)	7.2	10.1	14.3	15.3	16.5	15.8*

* Annualised

Notes to the summary of proforma consolidated results:

- (i) The Group's proforma consolidated financial results comprise the audited accounts of the Company and its subsidiaries. The proforma consolidated results have been prepared based on the accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the individual companies. The accounts of RMT and FEMT for the years ended 31 December, 1996 to 2000 and period ended 30 November, 2001 have been time-apportioned in order to be co-terminous with the Group.
- (ii) The Group recorded an increase in turnover from RM46.0 million to RM59.7 million in 1998. The rise was due to the increase in demand for marble and granite used for the completion of several projects throughout the year.
- (iii) There was a slight decrease of 1.2% in turnover for the year 1999 resulting from a fall in market demand for its products due to the economic downturn. However, this decrease in turnover was mitigated by securing several new projects in Sabah and Sarawak. The turnover increased by 16.0% and 14.6% in 2000 and 2001 respectively as a result of an increase in demand for marble and granite in tandem with the recovery in the overall economy. The increase in demand was fuelled by the Group's concerted marketing effort to establish and strengthen its market share in the marble and granite industry in view of the improved economic climate.
- (iv) Profit before taxation in 1997 and 1998 increased from RM2.8 million in 1996 to RM4.6 million and RM6.4 million respectively due to the increase in demand for the products used for the completion of several projects during the year.
- (v) As a result of the economic downturn in 1999, market demand for marble and granite products reduced hence the decrease of 6.2% in profit before taxation. In the years 2000 and 2001, profit before taxation increased by 42.6% and 12.3% to RM8.6 million and RM9.6 million respectively, in tandem with the improved economic conditions and increase in turnover.

19. ACCOUNTANTS' REPORT (Cont'd)

- (vi) The proforma consolidated financial statements of the Group for the period ended 30 November, 2001 includes the effects of the additional provision for doubtful debts of RM468,945 and impairment losses of property, plant and equipment of RM340,905 arising from the assessment of trade debtors recoverability as at 30 November, 2001 and a revaluation exercise performed in relation to the listing of SMCB Group respectively.
- (vii) There were no extraordinary items during the years/period under review.
- (viii) The gross earnings per share of the Group is calculated based on the profit before taxation and minority interest and on the enlarged share capital of 40,350,000 ordinary shares of RM1.00 each after the Acquisitions.
- (ix) The net earnings per share of the Group is calculated based on the profit after taxation and minority interests divided by the enlarged share capital of 40,350,000 ordinary shares of RM1.00 each after the Acquisitions.
- (x) The effective tax rates in 1997, 1998 and 2001 were higher than the statutory tax rate applicable due to certain expenses being disallowed for taxation purposes. There was no tax charge for the financial year 1999 as the amount payable was waived in accordance with the Income Tax (Amendment) Act, 1999. The tax provision for the financial year ended 1999 was related to deferred taxation.

4.0 SUMMARISED INCOME STATEMENTS

(i) SMCB

	3 months ended 31 March, 2001 RM'000	8 months ended 30 November, 2001 RM'000
Revenue	-	-
Other operating expenses	(55)	(6)
Loss from operations	(55)	(6)
Finance cost	(17)	-
Loss before taxation	(72)	(6)
Taxation	-	-
Net loss after taxation	(72)	(6)
Weighted average number of ordinary shares in issue('000)	10	10
Gross loss per share (RM)	(28.8)*	(0.90)
Net loss per share (RM)	(28.8)*	(0.90)

*Annualised

SMCB was incorporated on 11 November, 1999. The Company has not commenced operations since the date of incorporation.

19. ACCOUNTANTS' REPORT (Cont'd)

(ii) SPG

	Financial Year Ended 31 March					8 months ended 30 November, 2001
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	RM'000
Revenue	10,890	11,329	11,134	14,308	16,070	11,300
Other operating income	2,452	2,669	2,646	2,645	2,673	1,798
Changes in raw materials & consumables	(953)	82	398	(808)	(59)	(183)
Changes in retail goods	2,017	368	886	612	(55)	904
Changes in work in progress	1,156	262	553	175	1,392	(47)
Raw materials & consumables purchased	(5,504)	(4,276)	(5,703)	(6,599)	(8,608)	(6,100)
Retail goods purchased	(7)	-	(2)	(4)	-	-
Staff cost	(2,130)	(2,276)	(2,307)	(2,775)	(2,784)	(1,403)
Depreciation	(925)	(1,069)	(1,150)	(1,163)	(1,206)	(865)
Other operating expenses	(3,648)	(3,602)	(3,046)	(2,971)	(3,276)	(2,529)
Profit from operations	3,348	3,487	3,409	3,420	4,147	2,875
Finance cost, net	(1,928)	(2,375)	(2,449)	(1,488)	(1,514)	(862)
Profit before taxation	1,420	1,112	960	1,932	2,633	2,013
Taxation	(681)	(700)	-	(41)	(290)	(495)
Net profit after taxation	739	412	960	1,891	2,343	1,518
Weighted average number of ordinary shares in issue ('000)	6,000	6,000	7,885	10,000	10,000	10,000
Gross earnings per share (sen)	23.7	18.5	12.2	19.3	26.3	30.2*
Net earnings per share (sen)	12.3	6.8	12.2	18.9	23.4	22.8*

*Annualised

Notes:

- (1) Revenue increased by 4.0% in 1998 mainly due to the demand for marble and granite products from the completed and near completed buildings developed prior to the recession to complement the internal and external finishing.
- (2) The decrease of 1.7% in revenue in 1999 was in tandem with the overall depressed economic conditions. In the year 2000 SPG recorded an increase in revenue of 28.5% in tandem with the recovery of the construction industry and the economy whilst the rise in turnover by 12.3% in 2001 resulted from increased demand for marble and granite slabs.

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- (3) Profit before taxation declined by 21.7% from RM1.4 million in 1997 to RM1.1 million in 1998 due to the decrease in sales margin as a result of the change in sales mix, increased interest expenses on borrowings for the financing of plant machinery and depreciation of these plant and machinery. In 1999, decrease in profit before taxation by another 13.7% to RM0.96 million was in tandem with the overall economic condition.
- (4) Profit before taxation increased by 101.3% in 2000 and by 36.3% in 2001 in line with the recovery of the construction industry and the economy.
- (5) The retained earnings for the year ended 31 March, 2000 has been restated in the financial statements for the year ended 31 March, 2001. The auditors, Messrs. Lim Siang Guan & Co. adjusted the retained earnings for tax liability on proposed dividends for the years ended 31 March, 1997 and 31 March, 1998 amounting to RM680,555 and RM700,000 respectively. These amounts have not been previously accounted for and due to the materiality of the amounts involved, the said tax effects have been adjusted for retrospectively.

As the proposed dividends were paid during the financial year ended 31 March, 2001, the change in the effective tax rate on the 1997 dividend income from 30% to 28% has also resulted in an additional adjustment of RM69,445 to the dividend income recognised by SPG in 1997. The auditors have accounted for the amount retrospectively. The effect of the adjustments is further illustrated as follows:

	Financial year ended 31 March	
	1997	1998
	RM'000	RM'000
Net profit after taxation as audited	1,489	1,112
Adjustments for taxation	(681)	(700)
Adjustment to dividends recognised as income	(69)	-
Restated net profit after taxation and adjustments	<u>739</u>	<u>412</u>

- (6) There was no tax charge in 1999 as it was a tax waiver year in accordance with the Income Tax (Amendment) Act, 1999. The effective tax rates for financial years ended 2000 and 2001 were lower than the standard tax rate applicable as the current year tax charge was in relation to rental and interest income only. This was due to the availability of unabsorbed losses and unutilised capital allowance, which was utilised to set-off against business income.
- (7) There were no extraordinary or exceptional items in the financial years/period under review.

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(iii) SM(M)SB

	Financial Year Ended 31 March					8 months ended 30 November, 2001
	1997	1998	1999	2000	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	20,508	30,621	26,482	30,173	35,456	28,111
Other operating income	35	50	124	73	103	75
Changes in retail goods	2,681	(628)	(1,536)	2,778	(963)	(759)
Retail goods purchased	(13,246)	(15,620)	(12,858)	(18,212)	(19,326)	(18,210)
Staff cost	(1,133)	(1,261)	(1,217)	(1,538)	(2,034)	(1,330)
Depreciation	(25)	(150)	(171)	(188)	(309)	(242)
Other operating expenses	(3,544)	(4,885)	(3,739)	(5,788)	(4,687)	(1,923)
Profit from operations	5,276	8,127	7,085	7,298	8,240	5,722
Finance cost, net	(361)	(1,429)	(634)	(375)	(602)	(450)
Profit before taxation	4,915	6,698	6,451	6,923	7,638	5,272
Taxation	(1,531)	(1,977)	(6)	(1,952)	(2,370)	(1,629)
Net profit after taxation	3,384	4,721	6,445	4,971	5,268	3,643
Weighted average number of ordinary shares in issue ('000)	1,500	1,500	1,500	1,500	1,500	1,500
Gross earnings per share (sen)	327.7	446.5	430.1	461.5	509.2	527.2*
Net earnings per share (sen)	225.6	314.7	429.7	331.4	351.2	364.3*
Gross dividend rate	166.7	166.7	166.7	166.7	166.7	111.3

*Annualised

Notes:

- (1) Revenue increased by 49.3% in 1998 due to increase in retail sales and the completion of several major projects during the year. However, revenue declined by 13.5% in 1999 as demand for the Company's products fell as a result of the economic downturn.
- (2) The company achieved an increase in revenue of 13.9% in 2000 and 17.5% in 2001 as the demand for marble slabs and tiling as well as other construction related products improved in line with the recovery of the construction industry and the economy.

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- (3) Profit before taxation for the financial years 1997 until 2001 increased progressively from RM4.9 million to RM7.6 million in line with the growth in revenues except in the year 1999, where there was a drop of 3.7% arising from the decrease in demand for the Company's products as a result of the economy downturn.
- (4) The effective tax rates for years ended 1997, 1998, 2000 and 2001 were higher than the standard rate for taxation applicable, principally due to certain expenses being disallowed for taxation purposes. The tax provision for the financial year ended 1999 was related to deferred taxation and there was no income tax charge for the current financial year as the tax payable was waived in accordance with the income tax (Amendment) Act, 1999.
- (5) For the financial years ended 1997 and 1998, the directors recommended a final ordinary dividend of 166.66% less taxation amounting to RM1,750,000 and RM1,800,000 respectively. The directors recommended a final tax exempt dividend of 166.66% amounting to RM2,500,000 in 1999 and 2000. In 2001, the directors recommended a final dividend of 166.66% comprising a tax exempt dividend of 106.66% and an ordinary dividend of 60% less taxation amounting to RM1,600,000 and RM648,000 respectively.
- (6) There were no extraordinary or exceptional items in the financial years/period under review.

(iv) FSB

	Financial Year Ended 31 March					8 months ended 30 November,
	1997	1998	1999	2000	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-	-
Depreciation	(4)	(5)	(5)	(4)	(4)	(3)
Other operating expenses	(1)	(6)	(6)	(12)	(16)	(2)
Loss before taxation	(5)	(11)	(11)	(16)	(20)	(5)
Taxation	-	-	-	-	-	-
Net loss after taxation	(5)	(11)	(11)	(16)	(20)	(5)
Weighted average number of Ordinary shares in Issue ('000)	20	20	20	20	20	20
Gross loss per share (sen)	(25.0)	(55.0)	(55.0)	(80.0)	(100.0)	(37.5)*
Net loss per share (sen)	(25.0)	(55.0)	(55.0)	(80.0)	(100.0)	(37.5)*

*Annualised

19. ACCOUNTANTS' REPORT (Cont'd)

Note:

- (1) FSB was incorporated on 10 August, 1987 and has not commenced operations.
- (2) Operating expenses of the Company mainly consist of audit fees, secretarial fees and filing fees.
- (3) There was no taxation charge for all the financial years under review as the Company is in a tax loss position.
- (4) There was no dividend declared or paid during the period under review.
- (5) There were no extraordinary or exceptional items in the financial years/period under review.

(v) SASB

	22.7.97 to 31.3.98	Financial Year Ended 31 March			8 months ended
	RM'000	1999 RM'000	2000 RM'000	2001 RM'000	30 November, 2001 RM'000
Revenue	31	1,218	2,088	2,977	2,321
Other operating income	-	-	4	5	72
Changes in stocks of retail Goods	81	932	224	528	359
Retail goods purchased	(99)	(1,606)	(1,566)	(2,514)	(1,976)
Staff cost	(61)	(156)	(217)	(328)	(218)
Depreciation	(1)	(52)	(66)	(77)	(68)
Other operating expenses	(20)	(292)	(427)	(545)	(414)
(Loss)/profit from operations	(69)	44	40	46	76
Finance cost	-	(2)	(3)	(5)	(6)
(Loss)/profit before taxation	(69)	42	37	41	70
Taxation	-	-	(1)	(17)	(28)
Net (loss)/profit after taxation	(69)	42	36	24	42
Weighted average number of ordinary shares in Issue ('000)	13	100	100	100	100
Gross (loss)/earnings per Share (sen)	(785.2)	42.0	37.0	41.0	105.0*
Net (loss)/earnings per Share (sen)	(785.2)	42.0	36.0	24.0	63.0*

* Annualised

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

Note:

- (1) SASB was incorporated on 22 July, 1997 and commenced its operations on 1 January, 1998.
- (2) The higher turnover and profit before taxation for the year 1999 was derived from new projects secured during the year.
- (3) Despite recording a higher turnover for the financial year ended 31 March 2000, profit before taxation decreased by 11.9%. The decrease was mainly due to lower margin for new projects secured during the financial year and also due to increase in operating and finance expenses.
- (4) The company continued its marketing strategy of lowering its gross margin to capture market share and henceforth enabling SASB to establish its market presence in Sabah. As a result thereof, turnover continued to increase for the financial year ended 31 March 2001 to RM2.98 million while maintaining a reasonable level of profit margin.
- (5) There was no taxation charge for the year ended 1998 as SASB was in a tax loss position. There was no income tax charge for the financial year 1999 as the tax payable was waived in accordance with the Income Tax (Amendment) Act, 1999.
- (6) The effective tax rate for financial year ended 2000 was lower than the standard tax rate applicable due to the availability of unabsorbed losses which were utilised to set-off against business income. In contrary, the effective tax rate for year 2001 was higher than the standard rate for taxation applicable, principally due to certain expenses being disallowed for taxation purposes.
- (7) There was no dividend declared or paid during the period under review.
- (8) There were no extraordinary or exceptional items in the financial years/period under review.

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(vi) SAVSB

	5.12.96 To 31.3.98 RM'000	Financial Year Ended 31 March			8 months ended 30 November, 2001 RM'000
		1999 RM'000	2000 RM'000	2001 RM'000	
Revenue	887	1,651	4,561	2,152	3,279
Other operating income	3	-	-	-	-
Changes in stocks of finished Good and work in progress	-	-	-	-	-
Retail goods purchased	477	231	197	433	1,606
Staff cost	(1,118)	(892)	(3,255)	(1,631)	(3,597)
Depreciation	(136)	(154)	(205)	(313)	(230)
Other operating expenses	(48)	(49)	(88)	(96)	(72)
(Loss)/profit from operations	(149)	(666)	(599)	(428)	(607)
Finance cost	(84)	121	611	117	379
(Loss)/profit before taxation	(49)	(43)	(37)	(34)	(24)
Taxation	(133)	78	574	83	355
Net (loss)/profit after taxation	-	-	(172)	(40)	(100)
Weighted average number of ordinary shares in issue ('000)	(133)	78	402	43	255
Gross (loss)/earnings per share (sen)	413	500	500	500	500
Net (loss)/earnings per share (sen)	(24.4)	15.6	114.8	16.6	106.5*
	(24.4)	15.6	80.4	8.6	76.5*

*Annualised

Note:

- (1) SAVSB was incorporated on 5 December, 1996 and commenced operations on 1 March, 1998. The financial statements for the period ended 31 March, 1999 is SAVSB's first set of accounts.
- (2) A major RM2.75 million contract secured in the year as well as being the first full financial year in operation attributed to the revenue increase of 86% to RM1.65 million in 1999 from RM0.89 million in 1998. The revenue further increased by another 176.3% in 2000 mainly due to the spill over effect of the contract secured in 1999 which was substantially undertaken in year 2000 and partially due to increased demand for marble slabs and ceramic tiles as the economy revived.
- (3) The decrease in revenue of 52.8% in 2001 was due to the completion of most of the major contracts secured in prior years.
- (4) Profit before taxation increased from the financial year 1999 until 2001 in line with business expansion. In the year 2000 profit before taxation increased by 635.9% arising from the higher profit margin earned from the project.

19. ACCOUNTANTS' REPORT (Cont'd)

- (5) There were no taxation charges for the year ended 1998 as SAVSB was in a tax loss position. There was no income tax charge for the financial year 1999 as the tax payable was waived in accordance with the Income Tax (Amendment) Act, 1999.
- (6) The effective tax rates for financial years ended 2000 and 2001 were higher than the standard rate for taxation applicable, principally due to certain expenses being disallowed for taxation purposes.
- (7) There was no dividend declared or paid during the period under review.
- (8) There were no extraordinary or exceptional items in the financial years/period under review.

(vii) RMT

	Financial Year Ended 31 December					11 months ended
	1996	1997	1998	1999	2000	30 November, 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	16,727	19,187	18,012	22,466	25,385	34,390
Other operating income	-	17	46	23	11	6
Changes in retail goods	(287)	3	(125)	555	296	1,249
Retail goods purchased	(14,966)	(17,307)	(16,059)	(20,443)	(22,748)	(31,944)
Staff cost	(535)	(586)	(538)	(640)	(703)	(135)
Depreciation	(40)	(88)	(85)	(123)	(141)	(161)
Other operating expenses	(469)	(666)	(495)	(730)	(509)	(1,301)
Profit from operations	430	560	756	1,108	1,591	2,104
Finance cost	(64)	(124)	(159)	(89)	(111)	(259)
Profit before taxation	366	436	597	1,019	1,480	1,845
Taxation	(110)	(135)	(180)	7	(400)	(520)
Net profit after taxation	256	301	417	1,026	1,080	1,325
Weighted average number of ordinary shares in issue ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Gross earnings per share (sen)	36.6	43.6	59.7	101.9	148.0	201.3*
Net earnings per share (sen)	25.6	30.1	41.7	102.6	108.0	144.5*

*Annualised

Notes:

- (1) Revenue increased by 14.7% in 1997 due to increase sales of ceramic tiles. However, in the following financial year 1998, demand for ceramic tiles soften, in line with the economic downturn. RMT achieved an increase in sales of 24.7% and 13.0% in 1999 and 2000 respectively in tandem with the economic recovery.

19. ACCOUNTANTS' REPORT (Cont'd)

- (2) RMT's profit before taxation marked an upward trend from the financial years ended 1997 to 2000. This has been supported by the increase in sales of ceramic tiles in 1997, a better gross profit margin in 1998 and the recovery of the construction industry, in tandem with the recovery of economy in 1999 and 2000.
- (3) The effective tax rates for the financial year ended 1996, 1997, 1998, 2000 and 2001 were higher than the standard rate for taxation applicable, principally due to certain expenses being disallowed for taxation purposes.
- (4) There was no tax charge for the financial year ended 1999 as the amount payable was waived in accordance with the Income Tax (Amendment) Act, 1999. The credit balance in the income statement for the year represents an overprovision of taxation in respect of prior years.
- (5) There was no dividend declared or paid during the period under review.
- (6) There were no extraordinary or exceptional items in the financial years/period under review.
- (7) In 1999, a bonus issue of 200,000 ordinary shares of RM1.00 each on the basis of one (1) new ordinary share for every four (4) existing shares held were allotted and credited via the capitalisation of retained profits.

(viii) FEMT

	Financial Year Ended 31 December					11 months ended
	1996	1997	1998	1999	2000	30 November, 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	4,681	8,803	6,264	6,992	9,732	14,397
Other operating income	14	2	16	115	40	9
Changes in retail goods	7	(25)	31	373	457	383
Retail goods purchased	(3,320)	(5,512)	(3,401)	(4,668)	(6,758)	(10,192)
Staff cost	(415)	(443)	(387)	(435)	(680)	(693)
Depreciation	(89)	(136)	(138)	(150)	(141)	(191)
Other operating expenses	(655)	(1,594)	(1,770)	(1,523)	(2,151)	(3,119)
Profit from operations	223	1,095	615	704	499	594
Finance cost	(66)	(110)	(125)	(86)	(64)	(63)
Profit before taxation	157	985	490	618	435	531
Taxation	(40)	(312)	(193)	(7)	(153)	(193)
Net profit after taxation	117	673	297	611	282	338

19. ACCOUNTANTS' REPORT (Cont'd)

	Financial Year Ended 31 December					11 months ended 30 November,
	1996	1997	1998	1999	2000	2001
Weighted average number of ordinary shares in issue ('000)	50	50	50	50	50	50
Gross earnings per share (RM)	3.1	19.7	9.8	12.4	8.7	11.6*
Net earnings per share (RM)	2.3	13.5	5.9	12.2	5.6	7.4*

*Annualised

Notes:

- (1) The 88% growth in revenue and the increase in profit before taxation for the financial year ended 31 December, 1997 was due to a major contract secured for the Penang Indoor Stadium Arena and higher contribution from projects which were nearing completion.
- (2) In 1998, arising from the economy downturn, turnover alleviated. Sales declined by 28.8% to RM6.2 million and profit before taxation reduced accordingly.
- (3) FEMT achieved an increase in sales of 11.6% in 1999 due to the improvement in overall market demand for marble slabs and tiling as the economy recovers from downturn. The decrease in interest expense as a result of lower interest rates also contributed to the increase in profit before taxation. In 2000, sales further increased by 39.2% due to increase in demand for ceramic tiles. Despite the higher turnover, profit before taxation decreased as a result of the lower margin achieved from the sale of ceramic tiles.
- (4) The effective tax rate for the financial year ended 31 December, 1996 was lower than the standard rate for taxation applicable, principally due to the utilisation of unabsorbed tax losses brought forward.
- (5) For the financial years ended 31 December, 1997, 1998, 2000 and 2001, the effective tax rates were higher than the standard rate for taxation applicable, principally due to certain expenses being disallowed for taxation purposes.

19. ACCOUNTANTS' REPORT (Cont'd)

- (6) There was no tax charge for the year ended 1999 as the amount payable was waived in accordance with the Income Tax (Amendment) Act, 1999. Tax charged for the year was related to under provision of taxation in prior years.
- (7) There was no dividend declared or paid during the period under review.
- (8) There were no extraordinary or exceptional items in the financial years/period under review.

5. SUMMARISED BALANCE SHEETS

5.1 SMCB

	As at 31 March, 2001 RM'000	As at 30 November, 2001 RM'000
NON-CURRENT ASSET		
Deferred expenditure	685	904
CURRENT LIABILITY		
Other creditors and accruals	(747)	(972)
NET CURRENT LIABILITY	<u>(747)</u>	<u>(972)</u>
	<u>(62)</u>	<u>(68)</u>
FINANCED BY:		
Share capital	10	10
Accumulated loss	(72)	(78)
	<u>(62)</u>	<u>(68)</u>
Net liabilities per share (RM)	(74.7)	(97.2)

SMCB was incorporated on 11 November, 1999. The Company has not commenced operations since the date of incorporation.

19. ACCOUNTANTS' REPORT (Cont'd)

5.2 SPG

	As at 31 March					As at 30 November, 2001
	1997	1998	1999	2000	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	12,739	15,371	14,378	13,713	14,077	13,366
Investments	1,820	1,902	1,902	1,902	1,902	1,902
	<u>14,559</u>	<u>17,273</u>	<u>16,280</u>	<u>15,615</u>	<u>15,979</u>	<u>15,268</u>
CURRENT ASSETS						
Inventories	7,430	8,142	9,980	9,960	11,238	11,912
Trade receivables	5,713	4,031	5,605	3,409	6,982	9,133
Other receivables	623	772	854	228	200	502
Dividend receivable	1,750	3,550	6,050	8,550	4,748	1,202
Tax credit receivable	750	1,450	1,450	1,380	253	-
Due from related companies	279	261	267	277	284	287
Deposit with a licensed bank	-	-	-	-	122	-
Cash and bank balances	22	312	55	97	55	28
	<u>16,567</u>	<u>18,518</u>	<u>24,261</u>	<u>23,901</u>	<u>23,882</u>	<u>23,064</u>
CURRENT LIABILITIES						
Short term borrowings	6,187	6,618	6,611	6,456	6,685	6,543
Trade payables	10,612	13,347	18,250	12,917	12,094	11,236
Other payables and accruals	1,798	1,062	892	847	972	1,017
Due to directors	466	118	16	3	-	-
Due to related companies	1,351	1,661	1,662	1,662	1,912	-
Hire purchase payables	926	1,152	803	588	533	399
Taxation	-	-	-	1,421	290	43
	<u>21,340</u>	<u>23,958</u>	<u>28,234</u>	<u>23,894</u>	<u>22,486</u>	<u>19,238</u>
NET CURRENT (LIABILITIES)/ASSETS						
	<u>(4,773)</u>	<u>(5,440)</u>	<u>(3,973)</u>	<u>7</u>	<u>1,396</u>	<u>3,826</u>
	<u>9,786</u>	<u>11,833</u>	<u>12,307</u>	<u>15,622</u>	<u>17,375</u>	<u>19,094</u>
FINANCED BY:						
Share capital	6,000	6,000	6,400	10,000	10,000	10,000
Retained profits	1,306	2,418	3,378	3,819	6,162	7,679
	<u>7,306</u>	<u>8,418</u>	<u>9,778</u>	<u>13,819</u>	<u>16,162</u>	<u>17,679</u>
Hire purchase payables	1,050	2,068	1,265	677	241	119
Term loan	1,430	1,347	1,264	1,126	972	1,296
Non-current liabilities	2,480	3,415	2,529	1,803	1,213	1,415
	<u>9,786</u>	<u>11,833</u>	<u>12,307</u>	<u>15,622</u>	<u>17,375</u>	<u>19,094</u>
NTA per share (RM)	1.2	1.4	1.5	1.4	1.6	1.8

19. ACCOUNTANTS' REPORT (Cont'd)

5.3 SM(M)SB

	As at 31 March					As at 30 November, 2001
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2001 RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	754	1,067	1,081	2,056	2,959	2,757
Investment	-	-	-	250	250	250
	<u>754</u>	<u>1,067</u>	<u>1,081</u>	<u>2,306</u>	<u>3,209</u>	<u>3,007</u>
CURRENT ASSETS						
Inventories	4,093	3,539	1,917	4,695	3,732	4,491
Trade receivables	11,591	14,510	21,373	23,954	27,868	32,646
Other receivables	123	141	934	371	728	1,663
Amount owing by holding company	1,351	1,661	1,661	1,662	1,662	-
Deposit with a licensed bank	-	926	1,320	1,551	2,379	2,401
Cash and bank balances	88	323	68	47	106	383
	<u>17,246</u>	<u>21,100</u>	<u>27,273</u>	<u>32,280</u>	<u>36,475</u>	<u>41,584</u>
CURRENT LIABILITIES						
Short term borrowings	62	26	83	294	792	934
Trade payables	8,115	5,845	5,955	6,099	11,487	14,202
Other payables and accruals	436	573	384	544	762	753
Amount due to holding company	-	-	-	-	-	2,098
Hire purchase payables	119	197	171	119	103	89
Proposed dividend	1,750	3,550	6,050	-	-	-
Taxation	2,360	3,956	3,910	4,790	4,214	5,333
	<u>12,842</u>	<u>14,147</u>	<u>16,553</u>	<u>11,846</u>	<u>17,358</u>	<u>23,409</u>
NET CURRENT ASSETS	<u>4,404</u>	<u>6,953</u>	<u>10,720</u>	<u>20,434</u>	<u>19,117</u>	<u>18,175</u>
	<u>5,158</u>	<u>8,020</u>	<u>11,801</u>	<u>22,740</u>	<u>22,326</u>	<u>21,182</u>
FINANCED BY:						
Share capital	1,500	1,500	1,500	1,500	1,500	1,500
Retained profits	3,276	6,197	10,142	21,163	20,381	19,277
	<u>4,776</u>	<u>7,697</u>	<u>11,642</u>	<u>22,663</u>	<u>21,881</u>	<u>20,777</u>
Hire purchase payables	358	290	120	-	338	298
Deferred taxation	24	33	39	77	107	107
Non-current liabilities	382	323	159	77	445	405
	<u>5,158</u>	<u>8,020</u>	<u>11,801</u>	<u>22,740</u>	<u>22,326</u>	<u>21,182</u>
NTA per share (RM)	3.2	5.1	7.8	15.1	14.6	13.9

19. ACCOUNTANTS' REPORT (Cont'd)

Notes:

Arising from the early adoption of the promulgated standards issued by the Malaysian Accounting Standards Board, MASB 19 - Events After the Balance Sheet Date in the financial year ended 31 March, 2001, the auditors, Messrs. Lim Siang Guan & Co. restated the balance sheet as at 31 March, 2000 by reclassifying the dividends proposed by the Directors to retained earnings to ensure comparability with the financial year ended 31 March, 2001, following the early adoption of MASB 19. The reclassification effected is summarised as follows:

	As at 31 March, 2000 RM'000
Retained profits as at 31 March, 2000 per audited accounts for the year ended 31 March, 2000	12,613
Reclassification of Proposed Dividends to retained profits	8,550
Restated retained profits as at 31 March, 2000 per audited accounts for the year ended 31 March, 2001	<u>21,163</u>

5.4 FSB

	As at 31 March					As at 30 November, 2001
	1997	1998	1999	2000	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	254	250	246	241	236	233
Intangible assets	6	6	6	6	-	-
	<u>260</u>	<u>256</u>	<u>252</u>	<u>247</u>	<u>236</u>	<u>233</u>
CURRENT LIABILITIES						
Other creditors and accruals	9	10	11	12	15	14
Due to holding company	255	261	267	277	284	287
	<u>264</u>	<u>271</u>	<u>278</u>	<u>289</u>	<u>299</u>	<u>301</u>
NET CURRENT LIABILITIES	<u>(264)</u>	<u>(271)</u>	<u>(278)</u>	<u>(289)</u>	<u>(299)</u>	<u>(301)</u>
	(4)	(15)	(26)	(42)	(63)	(68)
FINANCED BY:						
Share capital	20	20	20	20	20	20
Retained profits	(24)	(35)	(46)	(62)	(83)	(88)
	<u>(4)</u>	<u>(15)</u>	<u>(26)</u>	<u>(42)</u>	<u>(63)</u>	<u>(68)</u>
Net liabilities per share (RM)	<u>(0.2)</u>	<u>(0.8)</u>	<u>(1.3)</u>	<u>(2.1)</u>	<u>(3.2)</u>	<u>(3.4)</u>

19. ACCOUNTANTS' REPORT (Cont'd)

5.5 SASB

	As at 31 March				As at
	1998	1999	2000	2001	30 November, 2001
	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	7	245	288	251	374
Investment	-	2	-	-	-
	<u>7</u>	<u>247</u>	<u>288</u>	<u>251</u>	<u>374</u>
CURRENT ASSETS					
Inventories	81	1,013	1,238	1,766	2,125
Trade receivables	9	303	579	947	1,280
Other receivables	1	33	32	49	61
Cash and bank balances	109	37	77	46	50
	<u>200</u>	<u>1,386</u>	<u>1,926</u>	<u>2,808</u>	<u>3,516</u>
CURRENT LIABILITIES					
Trade payables	45	141	259	301	881
Other payables and accruals	28	124	136	105	103
Due to directors	-	104	98	97	97
Due to related companies	103	1,169	1,562	2,379	2,501
Hire purchase payables	-	12	22	12	28
Taxation	-	-	1	17	27
	<u>176</u>	<u>1,550</u>	<u>2,078</u>	<u>2,911</u>	<u>3,637</u>
NET CURRENT ASSETS/ (LIABILITIES)					
	<u>24</u>	<u>(164)</u>	<u>(152)</u>	<u>(103)</u>	<u>(121)</u>
	<u>31</u>	<u>83</u>	<u>136</u>	<u>148</u>	<u>253</u>
FINANCED BY:					
Share capital	100	100	100	100	100
Retained profits	(69)	(27)	9	33	75
	<u>31</u>	<u>73</u>	<u>109</u>	<u>133</u>	<u>175</u>
Hire purchase payables	-	10	27	15	78
	<u>31</u>	<u>83</u>	<u>136</u>	<u>148</u>	<u>253</u>
NTA per share (RM)	<u>0.3</u>	<u>0.7</u>	<u>1.1</u>	<u>1.3</u>	<u>1.8</u>

SASB was incorporated on 22 July, 1997.

19. ACCOUNTANTS' REPORT (Cont'd)

5.6 SAVSB

	As at 31 March				As at
	1998	1999	2000	2001	30 November, 2001
	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSET					
Property, plant and equipment	980	937	1,190	1,168	1,188
CURRENT ASSETS					
Inventories	477	708	905	1,338	2,944
Trade receivables	164	440	2,099	1,193	2,420
Other receivables	31	50	366	365	355
Amount due from holding company	-	-	-	250	-
Cash and bank balances	-	16	18	53	37
	672	1,214	3,388	3,199	5,756
CURRENT LIABILITIES					
Short term borrowings	214	212	224	139	275
Trade payables	897	1,365	3,121	3,189	5,246
Other payables and accruals	30	18	61	18	107
Hire purchase payables	24	24	21	16	16
Taxation	-	-	165	1	59
	1,165	1,619	3,592	3,363	5,703
NET CURRENT LIABILITIES					
	(493)	(405)	(204)	(164)	53
	487	532	986	1,004	1,241
FINANCED BY:					
Share capital	500	500	500	500	500
(Accumulated losses)/retained profits	(133)	(55)	347	390	645
	367	445	847	890	1,145
Hire purchase payables	28	4	57	42	31
Term loan	92	83	75	65	58
Deferred taxation	-	-	7	7	7
Non-current liabilities	120	87	139	114	96
	487	532	986	1,004	1,241
NTA per share (RM)	0.7	0.9	1.7	1.8	2.3

SAVSB was incorporated on 5 December, 1996 and commenced operations on 1 March, 1998. The financial statements for the period ended 31 March, 1999 is SAVSB's first set of accounts.

19. ACCOUNTANTS' REPORT (Cont'd)

5.7 RMT

	As at 31 December					As at 30 November,
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	1,280	1,351	1,832	1,908	2,315	2,578
Investment	-	26	26	38	38	38
	<u>1,280</u>	<u>1,377</u>	<u>1,858</u>	<u>1,946</u>	<u>2,353</u>	<u>2,616</u>
CURRENT ASSETS						
Inventories	339	342	217	772	1,068	2,317
Trade receivables	4,651	7,127	6,522	8,302	10,385	16,598
Other receivables	30	41	58	55	83	113
Cash and bank balances	12	7	12	8	6	8
	<u>5,012</u>	<u>7,517</u>	<u>6,809</u>	<u>9,137</u>	<u>11,542</u>	<u>19,036</u>
CURRENT LIABILITIES						
Short term borrowings	1,234	1,472	1,755	2,357	3,062	5,289
Trade payables	2,936	4,696	3,831	4,715	5,532	8,794
Other payables and accruals	104	343	220	273	293	984
Due to directors	7	7	4	-	-	-
Hire purchase payables	6	61	49	62	70	135
Taxation	125	140	185	5	261	511
	<u>4,412</u>	<u>6,719</u>	<u>6,044</u>	<u>7,412</u>	<u>9,218</u>	<u>15,713</u>
NET CURRENT ASSETS	<u>600</u>	<u>798</u>	<u>765</u>	<u>1,725</u>	<u>2,324</u>	<u>3,323</u>
	<u>1,880</u>	<u>2,175</u>	<u>2,623</u>	<u>3,671</u>	<u>4,677</u>	<u>5,939</u>
FINANCED BY:						
Share capital	800	800	800	1,000	1,000	1,000
Retained profits	808	1,109	1,526	2,352	3,432	4,757
	<u>1,608</u>	<u>1,909</u>	<u>2,326</u>	<u>3,352</u>	<u>4,432</u>	<u>5,757</u>
Hire purchase payables	-	-	51	102	72	37
Term loans	263	254	231	202	173	145
Deferred taxation	9	12	15	15	-	-
Non-current liabilities	<u>272</u>	<u>266</u>	<u>297</u>	<u>319</u>	<u>245</u>	<u>182</u>
	<u>1,880</u>	<u>2,175</u>	<u>2,623</u>	<u>3,671</u>	<u>4,677</u>	<u>5,939</u>
NTA per share (RM)	2.0	2.4	2.9	3.4	4.4	5.8

19. ACCOUNTANTS' REPORT (Cont'd)

5.8 FEMT

	As at 31 December					As at 30 November, 2001
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	1,114	1,587	1,521	1,645	1,667	2,047
Investment	-	36	-	-	-	-
	<u>1,114</u>	<u>1,623</u>	<u>1,521</u>	<u>1,645</u>	<u>1,667</u>	<u>2,047</u>
CURRENT ASSETS						
Inventories	118	94	124	498	954	1,337
Trade receivables	1,763	3,487	3,519	5,384	7,126	7,709
Other receivables	28	80	151	192	36	35
Cash and bank balances	13	1	1	8	2	1
	<u>1,922</u>	<u>3,662</u>	<u>3,795</u>	<u>6,082</u>	<u>8,118</u>	<u>9,082</u>
CURRENT LIABILITIES						
Short term borrowings	495	725	751	720	616	1,038
Trade payables	2,507	2,924	2,769	4,571	6,309	6,822
Other payables and accruals	43	428	207	323	647	840
Due to directors	-	-	-	14	-	-
Hire purchase payables	40	47	27	22	18	78
Taxation	57	369	562	570	434	231
	<u>3,142</u>	<u>4,493</u>	<u>4,316</u>	<u>6,220</u>	<u>8,024</u>	<u>9,009</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(1,220)</u>	<u>(831)</u>	<u>(521)</u>	<u>(138)</u>	<u>94</u>	<u>73</u>
	<u>(106)</u>	<u>792</u>	<u>1,000</u>	<u>1,507</u>	<u>1,761</u>	<u>2,120</u>
FINANCED BY:						
Share capital	50	50	50	50	50	50
Capital reserve	54	54	54	54	51	51
(Accumulated losses)/ retained profits	(402)	271	568	1,179	1,461	1,799
	<u>(298)</u>	<u>375</u>	<u>672</u>	<u>1,283</u>	<u>1,562</u>	<u>1,900</u>
Hire purchase payables	20	49	22	-	17	36
Term loan	172	368	306	224	172	160
Deferred taxation	-	-	-	-	10	24
Non-current liabilities	<u>192</u>	<u>417</u>	<u>328</u>	<u>224</u>	<u>199</u>	<u>220</u>
	<u>(106)</u>	<u>792</u>	<u>1,000</u>	<u>1,507</u>	<u>1,761</u>	<u>2,120</u>
Net (liabilities)/ tangible assets (RM)	<u>(6.0)</u>	<u>7.5</u>	<u>13.4</u>	<u>25.7</u>	<u>31.2</u>	<u>38.0</u>

19. ACCOUNTANTS' REPORT (Cont'd)

6.0 PROFORMA STATEMENT OF ASSETS AND LIABILITIES OF SMCB NEW GROUP AS AT 30 NOVEMBER, 2001

The following proforma statement of assets and liabilities has been prepared based on the audited accounts of SMCB Group as at 30 November, 2001 and adjusted for the following:

- Revaluation of land and buildings giving rise to a total revaluation reserve of RM7,253,555 and impairment losses of RM340,905; and
- Additional provision for doubtful debts of RM468,945.

The proforma statement of assets and liabilities has been prepared for illustration purposes on the basis that the SMCB Group has been in existence as at 30 November, 2001 and should be read in conjunction with the notes thereon:

	Note	Company RM'000	Proforma Group RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	7.2	-	29,457
Other investments	7.3	-	288
Deferred expenditure		889	889
		<u>889</u>	<u>30,634</u>
CURRENT ASSETS			
Inventories	7.4	-	24,249
Trade receivables	7.5	-	59,768
Other receivables		-	2,730
Deposit with a licensed bank	7.6	-	2,401
Cash and bank balances		-	505
		<u>-</u>	<u>89,653</u>
CURRENT LIABILITIES			
Short term borrowings	7.7	-	35,749
Trade payables		-	21,308
Other payables and accruals		957	4,872
Taxation		-	6,205
		<u>957</u>	<u>68,132</u>
NET CURRENT (LIABILITY)/ASSETS		<u>(957)</u>	<u>21,521</u>
		<u>(68)</u>	<u>52,155</u>

19. ACCOUNTANTS' REPORT (Cont'd)

	Note	Company RM'000	Proforma Group RM'000
FINANCED BY:			
Share capital	7.8	10	40,350
Share premium		-	9
Profit and loss account		(78)	(78)
Reserve arising from consolidation		-	9,216
		(68)	49,497
Minority interest		-	261
		(68)	49,758
NON-CURRENT LIABILITIES			
Hire purchase payables	7.9	-	600
Term loan	7.10	-	1,659
Deferred taxation		-	138
Non-current liabilities		-	2,397
		(68)	52,155
Net (liability)/tangible assets (RM'000)		(957)	48,608
Net (liability)/tangible assets per share (RM)		(95.7)	1.20

7.1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain land and buildings and comply with applicable approved accounting standards in Malaysia.

The promulgated standards issued by the Malaysian Accounting Standards Board, MASB 19: Events After the Balance Sheet Date, MASB 20: Provisions, Contingent Liabilities and Contingent Assets, MASB 21: Business Combinations, MASB 22: Segment Reporting, MASB 23: Impairment of Assets and MASB 24: Financial Instruments: Disclosure and Presentation have been adopted prior to their effective dates. Early adoption of these standards did not result in any adjustments to the prior year's financial statements.