

## 10. ACCOUNTANTS' REPORT

*(Prepared for the purpose of inclusion in the Prospectus)*



*Furniweb Industrial Products Berhad*

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Furniweb Industrial Products Berhad  
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Our ref: A8/CKS/SYL/KLLT/MCLEE

12 September 2003

Dear Sirs,

### Accountants' Report

#### 1. Introduction

This report was prepared by Messrs KPMG, an approved Company auditor, for inclusion in the Prospectus in connection with the proposed listing and quotation of the entire issued and paid-up share capital of Furniweb Industrial Products Berhad ("FIPB") on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

#### 2. General Information

##### 2.1 Background

FIPB was incorporated in Malaysia under the Companies Act, 1965 on 13 March 2001 as a private limited company under the name of Furniweb Industrial Products Sdn. Bhd. The Company was converted into a public limited company on 16 May 2002. The principal activity of the Company is that of investment holding. The principal activities of its subsidiary companies and jointly controlled entity as at 30 April 2003 are disclosed in Section 2.5.

##### 2.2 Share capital

As at the date of incorporation, FIPB's authorised share capital was RM100,000 consisting of 100,000 ordinary shares of RM1.00 each. At that date, its issued and paid-up share capital was RM2 consisting of 2 ordinary shares of RM1.00 each.



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Pursuant to the reorganisation and restructuring scheme, including the proposed listing and quotation of the entire issued and paid-up share capital of FIPB on the Second Board of the KLSE, as set out in Section 2.3 below, the authorised share capital of FIPB was increased to RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each and the issued and paid-up share capital of FIPB will be increased to RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each as follows:-

| Date of allotment/<br>split | Number of<br>shares | Par value | Type of issue                                       | Resultant<br>issued and<br>paid-up<br>capital<br>RM |
|-----------------------------|---------------------|-----------|---|---|
| 13.03.2001                  | 2                   | RM1.00    | Subscribers' shares                                 | 2   |
| 30.06.2003                  | 29,164,480          | RM1.00    | Acquisition of FMSB Group, Webtex, Texstrip and FEC | 29,164,482  |
| 04.09.2003                  | 6,835,518           | RM1.00    | Rights issue  | 36,000,000  |
| 06.09.2003                  | 72,000,000          | RM0.50    | Split of shares                                     | 36,000,000  |

**2.3 Proposal**

The restructuring and listing scheme involved the following:

**(a) Corporate reorganisation scheme**

The acquisition by FIPB of the entire equity interest of the following companies from the respective vendors for a total purchase consideration of RM31,497,638 satisfied by the issuance of 29,164,480 new ordinary shares of RM1.00 each in FIPB at an issue price of approximately RM1.08 per share:

- Furniweb Manufacturing Sdn Bhd ("FMSB") and its subsidiaries:
  - Furniweb-VOA Safety Webbing Sdn Bhd ("FVOA"),
  - Furniweb Manufacturing (Vietnam) Co. Ltd. ("FVN"), and
  - Syarikat Sri Kepong Sdn Bhd ("SSKSB").
 and its jointly controlled entity, Trunet (Vietnam) Co. Ltd. ("Trunet");
- Webtex Trading Sdn Bhd ("Webtex");
- Texstrip Manufacturing Sdn Bhd ("Texstrip"); and
- First Elastic Corporation (M) Sdn Bhd ("FEC").

Acquisition by FIPB of the entire equity interest of Premier Gesture Sdn Bhd ("PGSB") from FMSB and FEC for a total purchase consideration of RM10.00 satisfied by way of cash.

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Acquisition by FIPB of the entire legal capital of Premier Elastic Webbing & Accessories (Vietnam) Co. Ltd. ("PEWA") from PGSB for a total purchase consideration of RM4,081,000 satisfied by way of cash.

**(b) Restructuring exercise**

The rights issue of 6,835,518 new ordinary shares of RM1.00 each in FIPB at par to the shareholders of FIPB to be credited as fully paid-up on the basis of approximately two hundred thirty four (234) new ordinary shares of RM1.00 each for every one thousand (1,000) existing ordinary shares of RM1.00 each held in FIPB.

Renunciation of a portion of the proposed rights issue of 6,835,518 new ordinary shares of RM1.00 each in FIPB by certain shareholders of FIPB.

**(c) Split of shares**

The splitting of the par value of the ordinary shares from RM1.00 each to RM0.50 each. The reduction of RM0.50 for every ordinary share of RM1.00 par value would increase the number of ordinary shares from 36,000,000 to 72,000,000.

**(d) Proposed initial public offering and offer for sale**

Proposed private placement and public issue of 8,000,000 new ordinary shares of RM0.50 each in FIPB at an issue price of RM1.08 per share.

Proposed offer for sale of 22,400,000 ordinary shares of RM0.50 each in FIPB at an offer price of RM1.08 per share.

Corporate exercise (a) was completed on 30 June 2003, except for the acquisition of PEWA by FIPB which is expected to be completed by 30 September 2003.

Corporate exercise (b) was completed on 4 September 2003.

Corporate exercise (c) was completed on 6 September 2003.

Proposed listing and quotation of the entire issued and paid-up share capital of FIPB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

**2.4 Dividends**

FIPB has not declared any dividends since its date of incorporation.

No dividends have been declared or paid by its subsidiary companies and jointly controlled entity during the relevant years under review except as set out as follows:

| Company | Year Ended            | Gross rate of dividend<br>% | Tax rate<br>% | Net dividends<br>RM |
|---------|-----------------------|-----------------------------|---------------|---------------------|
| FMSB    | 31.12.98 <sup>#</sup> | 5.0                         | Nil*          | 291,375             |
|         | 31.12.98 <sup>#</sup> | 3.0                         | Nil*          | 174,825             |
|         | 31.12.99 <sup>#</sup> | 3.0                         | Nil*          | 174,825             |
|         | 31.12.99 <sup>@</sup> | 5.0                         | Nil*          | 291,375             |
|         | 31.12.00 <sup>#</sup> | 20.0                        | Nil*          | 1,165,500           |

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| Company  | Year Ended            | Gross rate of dividend<br>% | Tax rate<br>% | Net dividends<br>RM |
|----------|-----------------------|-----------------------------|---------------|---------------------|
|          | 31.12.00 <sup>#</sup> | 20.0                        | Nil*          | 1,165,500           |
|          | 31.12.01 <sup>#</sup> | 20.0                        | Nil*          | 1,165,500           |
|          | 31.12.02 <sup>#</sup> | 40.0                        | Nil*          | 2,331,000           |
| FVOA     | 31.12.00 <sup>#</sup> | 50.0                        | Nil*          | 650,000             |
|          | 31.12.01 <sup>#</sup> | 9.0                         | Nil*          | 225,000             |
|          | 31.12.02 <sup>#</sup> | 2.3                         | Nil*          | 57,930              |
|          | 31.12.02 <sup>#</sup> | 52.3                        | 28            | 941,400             |
| Webtex   | 31.12.02 <sup>#</sup> | 34.6                        | Nil*          | 86,494              |
|          | 31.12.02 <sup>#</sup> | 57.0                        | 28            | 102,600             |
| Texstrip | 31.12.02 <sup>#</sup> | 37.5                        | Nil*          | 1,012,500           |
| FEC      | 31.12.02 <sup>#</sup> | 10.0                        | Nil*          | 249,000             |

\* Payment of tax exempt dividends.

<sup>#</sup> Interim dividends.<sup>@</sup> Final dividends.

## 2.5 Information on subsidiary companies and jointly controlled entity

Information on the subsidiary companies and jointly controlled entity acquired by FIPB pursuant to the corporate reorganisation, restructuring and flotation scheme is as follows:

| Name of Company             | Date of Incorporation | Ordinary shares<br>←----- of RM1.00 each -----> |                             | Percentage of effective holding<br>(%) | Principal activity  |
|-----------------------------|-----------------------|---|-----------------------------|--|---|
|                             |                       | Authorised<br>(RM)                              | Issued and paid up<br>(RM)  |  |   |
| <b>Subsidiary companies</b> |                       |   |                             |  |   |
| FMSB                        | 03.10.1987            | 10,000,000                                      | 5,827,500                   | 100                                    | Manufacturing and sale of upholstery webbings, covered elastic yarn and rigid webbings. |
| FVOA <sup>@</sup>           | 19.06.1996            | 5,000,000                                       | 2,500,000                   | 60                                     | Manufacturing and sale of safety webbings.  |
| FVN                         | 16.01.1997            | USD3,210,000 <sup>^</sup>                       | USD 1,300,000 <sup>**</sup> | 100                                    | Manufacturing and sale of webbings and covered elastic yarn.                            |

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| Name of Company                  | Date of Incorporation | Ordinary shares<br><----- of RM1.00 each -----> |                            | Percentage of effective holding<br>(%) | Principal activity   |
|----------------------------------|-----------------------|---|----------------------------|--|--|
|                                  |                       | Authorised<br>(RM)                              | Issued and paid up<br>(RM) |  |  |
| SSKSB                            | 05.12.1974            | 1,000,000                                       | 50,000                     | 100                                    | Property investment and rental income.                                 |
| Webtex#                          | 23.11.1984            | 500,000   | 250,000                    | 100                                    | Trading in machinery and accessories and as commission agents.         |
| Texstrip                         | 13.06.1988            | 5,000,000                                       | 2,700,000                  | 100                                    | Manufacturing and sale of rubber strips and square cut rubber threads. |
| FEC*                             | 29.12.1994            | 5,000,000                                       | 2,490,000                  | 100                                    | Manufacturing and sale of elastic webbing products.                    |
| PGSB                             | 13.10.2001            | 100,000   | 10                         | 100%                                   | Investment holding   |
| PEWA                             | 23.01.2002            | USD3,000,000 <sup>^</sup>                       | USD1,200,000 <sup>**</sup> | 100%                                   | Manufacturing and sale of elastic webbing products.                    |
| <b>Jointly controlled entity</b> |                       |   |                            |  |  |
| Trunet                           | 15.02.2001            | USD500,000 <sup>^</sup>                         | USD300,000 <sup>**</sup>   | 50                                     | Manufacturing and sale of meat netting.                                |

@ Formerly known as Upper Nation Sdn Bhd, name changed on 31 October 1996

<sup>^</sup> Total investment capital

# Formerly known as Furniweb Elastics Sdn Bhd, name changed on 8 August 1988

\* Formerly known as E.C.I. Corporation Sdn Bhd, name changed on 11 September 2001

\*\* Legal capital invested

## 3. Basis Of Accounting And Accounting Policies

This report has been prepared on the historical cost basis, in accordance with applicable approved accounting standards issued by the Malaysian Accounting Standards Board, and is consistent with the accounting policies normally adopted by the Proforma FIPB Group.

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*Furniweb Industrial Products Berhad***4. Auditors**

The financial year end for FIPB and its subsidiary companies and jointly controlled entity ("FIPB Group") under review is 31 December, except for FEC with the financial year end of 31 March. However, FEC has changed the financial year end to 31 December in year 2002.

KPMG or a member firm of KPMG International has been the auditors of the following companies:

- i) FMSB and FVOA with effect from the financial period ended 31 December 1997;
- ii) SSKSB with effect from the financial year ended 31 December 1998;
- iii) Webtex and Texstrip with effect from the financial period ended 31 December 2000;
- iv) FVN and Trunet since their date of incorporation;
- v) FIPB with effect from the financial year ended 31 December 2002 and
- vi) PGSB since its date of incorporation.

Sim & Co, Chartered Accountants, has been the auditors of the following companies:

- i) FMSB and FVOA from their date of incorporation to the financial period ended 30 November 1996;
- ii) SSKSB from its date of incorporation to the financial period ended 31 December 1997;
- iii) Webtex from its date of incorporation to the financial year ended 31 January 2000;
- iv) Texstrip from its date of incorporation to the financial year ended 31 March 2000;
- v) FIPB from its date of incorporation to financial period ended 31 December 2002; and
- vi) FEC since its date of incorporation.

Vietnam Auditing Co, Member of Delloite Touche Tomatsu has been the auditor of PEWA since its date of incorporation.

Except for the financial statements of FIPB for the period ended 31 December 2001 which were emphasised on the going concern basis of preparation of the financial statements, the financial statements of FMSB, FVOA, SSKSB, Webtex, Texstrip, FVN, Trunet, PGSB and PEWA for the years/periods under review were reported on without qualification nor emphasis of matter.

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## 5. Summary Of Results

Proforma consolidated balance sheets are not prepared as certain subsidiaries had year end other than 31 December. As the income statement has been time apportioned, to further allocate these to the balance sheet in order to have a proforma consolidated balance sheet is not meaningful.

The proforma consolidated financial results of the FIPB Group for the past five financial years ended 31 December 1998 to 2002 and financial period ended 30 April 2003 have been prepared for illustrative purpose. The results are to be read in conjunction with Section 5.1, Notes to the Summary of Results.

|  | <----- Financial year ended 31 December -----> |         |         |         |         | Financial                     |
|--|--|---------|---------|---------|---------|-------------------------------|
|  | 1998   | 1999    | 2000    | 2001    | 2002    | period ended<br>30 April 2003 |
|  | RM'000   | RM'000  | RM'000  | RM'000  | RM'000  | RM'000                        |
| <b>Turnover</b>  |  |         |         |         |         |                               |
| - furniture webbings   | 5,617  | 5,731   | 7,177   | 6,890   | 9,995   | 4,766                         |
| - seat belt webbings   | 636  | 3,267   | 4,398   | 3,817   | 6,391   | 2,551                         |
| - covered elastic yarn   | 8,643  | 9,749   | 11,946  | 13,120  | 19,705  | 5,903                         |
| - industrial webbings  | 1,313  | 2,821   | 3,235   | 2,422   | 3,261   | 617                           |
| - rubber strips  | 3,149  | 3,080   | 3,902   | 4,899   | 6,484   | 2,284                         |
| - trading  | 574  | 899     | 3,486   | 3,734   | 3,410   | 904                           |
| - narrow fabrics   | 6,237  | 7,528   | 7,992   | 8,678   | 10,147  | 3,328                         |
|  | 26,169   | 33,075  | 42,136  | 43,560  | 59,393  | 20,353                        |
| <b>Profit before depreciation,<br/>interest and exceptional item</b>   | 5,915  | 8,295   | 9,205   | 10,409  | 13,868  | 5,463                         |
| Share of (loss)/ profit in<br>jointly controlled entity  | -  | -       | -       | (2)     | 302     | -                             |
| Depreciation   | (1,651)  | (1,760) | (1,754) | (2,121) | (2,415) | (975)                         |
| Interest expense   | (1,004)  | (837)   | (748)   | (581)   | (738)   | (238)                         |
| Exceptional item:  |  |         |         |         |         |                               |
| Gain on disposal of investment -   | -  | -       | -       | 66      | -       | -                             |
| <b>Profit before taxation</b>  | 3,260  | 5,698   | 6,703   | 7,771   | 11,017  | 4,250                         |
| <b>Taxation</b>  | (832)  | -       | (1,242) | (945)   | (1,748) | (631)                         |
| <b>Profit after taxation before<br/>minority interest</b>  | 2,428  | 5,698   | 5,461   | 6,826   | 9,269   | 3,619                         |
| <b>Minority interest</b>   | (1)  | (401)   | (355)   | (276)   | (621)   | (235)                         |
| <b>Profit after taxation<br/>and minority interest</b>   | 2,427  | 5,297   | 5,106   | 6,550   | 8,648   | 3,384                         |
| Based on number of ordinary<br>shares of RM1 each pursuant<br>to the corporate reorganisation<br>exercise ('000) | 29,164   | 29,164  | 29,164  | 29,164  | 29,164  | 29,164                        |
| <b>Earnings per share (sen)</b>  |  |         |         |         |         |                               |
| - Gross  | 11.17  | 18.16   | 21.77   | 25.70   | 35.65   | 13.77                         |
| - Net  | 8.32   | 18.16   | 17.50   | 22.46   | 29.65   | 11.60                         |

**10. ACCOUNTANTS' REPORT (Cont'd)****5.1 Notes to the Summary of Results**

In preparing the proforma consolidated results, adjustments were made to the financial statements of the FIPB Group to reflect them on a consistent basis. The effects and details of the adjustments are illustrated in Section 5.1.1, 5.1.2, 5.1.3 and 5.1.4 respectively.

**5.1.1 Basis of consolidation**

The proforma consolidated results of the FIPB Group has been prepared for illustrative purpose only and is based on the audited financial statements of FIPB, FMSB, FVOA, FVN, SSKSB, Webtex, Texstrip, Trunet, FEC, PGSB and PEWA after making adjustments that are considered necessary and assuming that the FIPB Group has been in existence throughout the financial years/period under review.

**5.1.2 Difference in the accounting year end of subsidiary companies**

The financial year end of FIPB Group is made up to the financial year ended 31 December.

Prior to the financial year ended 31 December 2002, certain subsidiary companies of FIPB (except for FVN and Trunet which have a 31 December financial year end since incorporation) prepared their financial statements on financial year end other than 31 December and they are as follows:-

| Name of Company | Financial period/year end            |
|-----------------|--------------------------------------|
| Webtex          | 31 December 2002                     |
|                 | 31 December 2001                     |
|                 | 11 months period to 31 December 2000 |
|                 | 31 January 2000                      |
|                 | 31 January 1999                      |
| Texstrip        | 31 December 2002                     |
|                 | 31 December 2001                     |
|                 | 9 months period to 31 December 2000  |
|                 | 31 March 2000                        |
|                 | 31 March 1999                        |
| FEC             | 31 December 2002                     |
|                 | 31 March 2002                        |
|                 | 31 March 2001                        |
|                 | 31 March 2000                        |
|                 | 31 March 1999                        |

The results of these companies have been adjusted based on time apportionment for the relevant financial years under review to be co-terminous with the financial year end of the FIPB Group.



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## 5.1.3 Profit before depreciation, interest and exceptional item

An adjustment was made retrospectively to the consolidated results of the FIPB Group to write off the expenditure carried forward of FVOA and FVN. The adjustment is in respect of preliminary and pre-operating expenses written off in the year of incorporation and the write back of yearly amortisation of preliminary and pre-operating expenses which were written off previously.

The effects of the adjustment on the summarised proforma consolidated results are as follows:-

|  | Financial year ended 31 December |        |        |        |        | Financial period       |
|--|----------------------------------|--------|--------|--------|--------|------------------------|
|  | 1998                             | 1999   | 2000   | 2001   | 2002   | ended<br>30 April 2003 |
|  | RM'000                           | RM'000 | RM'000 | RM'000 | RM'000 | RM'000                 |
| Profit before depreciation, interest and exceptional item              | 6,099                            | 8,235  | 9,205  | 10,409 | 13,868 | 5,369                  |
| Expenditure carried forward written off in the year they were incurred | (218)                            | -      | -      | -      | -      | -                      |
| Amortisation of expenditure carried forward written back               | 34                               | 60     | -      | -      | -      | -                      |
| As restated  | 5,915                            | 8,295  | 9,205  | 10,409 | 13,868 | 5,369                  |

## 5.1.4 Taxation

An adjustment was made retrospectively to the consolidated taxation of the FIPB Group to include the under provision for taxation of FMSB and Webtex. The adjustment is in respect of prior years' taxation, where additional assessment was received in year 2001 from the Inland Revenue Board ("IRB").

The effects of the adjustment on the summarised proforma consolidated taxation are as follows:-

|                            | Financial year ended 31 December |        |         |         |         | Financial period       |
|----------------------------|----------------------------------|--------|---------|---------|---------|------------------------|
|                            | 1998                             | 1999   | 2000    | 2001    | 2002    | ended<br>30 April 2003 |
|                            | RM'000                           | RM'000 | RM'000  | RM'000  | RM'000  | RM'000                 |
| Taxation                   | (822)                            | -      | (1,251) | (1,153) | (1,748) | (631)                  |
| Adjustment for tax expense | (10)                             | -      | 9       | 208     | -       | -                      |
| As restated                | (832)                            | -      | (1,242) | (945)   | (1,748) | (631)                  |

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The effective tax rate is lower than the prima facie tax rate due to utilisation of reinvestment allowances and tax exempt status of certain subsidiary companies.

No provision for taxation has been made in 1999 pursuant to tax waiver year in accordance with the Income Tax (Amendment) Act, 1996.

## 5.1.5 Exceptional gain on disposal of investment

The exceptional gain in 2001 relates to disposal of Webtex's interest in Texstrip to a shareholder of Webtex.

## 5.2 Furniweb Industrial Products Berhad

FIPB was incorporated on 13 March 2001. We set out below the audited results of FIPB for the financial period ended 31 December 2001, financial year ended 31 December 2002 and 4 months period ended 30 April 2003.

|  | 11 months<br>period ended<br><-----31 December-----><br>2001<br>RM'000 | Financial<br>year ended<br>2002<br>RM'000 | 4 months<br>period ended<br><--30 April--><br>2003<br>RM'000 |
|--|--|---|--|
| Turnover   | -  | -   | -  |
|  | ===  | ===                                       | ===  |
| Loss before depreciation<br>and interest                               | (3)  | (4)                                       | (1)  |
| Depreciation   | -  | -   | -  |
| Interest expense   | -  | -   | -  |
| Loss before taxation   | (3)  | (4)                                       | (1)  |
| Taxation   | -  | -   | -  |
| Loss after taxation  | (3)  | (4)                                       | (1)  |
|  | ===  | ===                                       | ===  |
| Weighted average<br>number of ordinary shares<br>of RM1.00 each ('000) | **   | **  | **   |
| Loss per share (RM'000)  |  |   |  |
| - Gross  | 1.5  | 2   | 0.5  |
| - Net  | 1.5  | 2   | 0.5  |

\*\* Denotes RM2.00

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## 5.3 Furniweb Manufacturing Sdn Bhd

We set out below the audited results of FMSB, for the financial years ended 31 December 1998 to 2002 and 4 months period ended 30 April 2003.

|   | <-----Financial year ended-----> |        |        |        |         | 4 months |
|---|----------------------------------|--------|--------|--------|---------|----------|
|   | <-----31 December----->          |        |        |        |         | period   |
|   | 1998                             | 1999   | 2000   | 2001   | 2002    | ended    |
|   | 1998                             | 1999   | 2000   | 2001   | 2002    | 30 April |
|   | RM'000                           | RM'000 | RM'000 | RM'000 | RM'000  | 2003     |
|   | RM'000                           | RM'000 | RM'000 | RM'000 | RM'000  | RM'000   |
| Turnover  | 15,749                           | 15,375 | 16,498 | 12,935 | 16,919  | 5,028    |
| Profit before depreciation,<br>interest and exceptional item            | 4,207                            | 5,008  | 3,847  | 2,403  | 4,426   | 1,548    |
| Depreciation  | (638)                            | (617)  | (497)  | (568)  | (653)   | (222)    |
| Interest expense  | (123)                            | (50)   | (25)   | (26)   | (132)   | (40)     |
| Profit before taxation  | 3,446                            | 4,341  | 3,325  | 1,809  | 3,641   | 1,286    |
| Taxation  |                                  |        |        |        |         |          |
| - current year/period   | (918)                            | (15)   | (717)  | (386)  | (1,209) | (330)    |
| - prior years   | 110                              | 105    | -      | (131)  | 57      | -        |
| Profit after taxation   | 2,638                            | 4,431  | 2,608  | 1,292  | 2,489   | 956      |
| Weighted average<br>number of ordinary shares<br>of RM1.00 each ('000)* | 5,828                            | 5,828  | 5,828  | 5,828  | 5,828   | 5,828    |
| Earnings per share (sen)  |                                  |        |        |        |         |          |
| - Gross   | 59.13                            | 74.49  | 57.05  | 31.04  | 62.47   | 22.07    |
| - Net   | 45.26                            | 76.03  | 44.75  | 22.17  | 42.71   | 16.40    |

\* The actual number of shares is 5,827,500

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## 5.4 Furniweb-VOA Safety Webbing Sdn Bhd

We set out below the audited results of FVOA, for the financial years ended 31 December 1998 to 2002 and 4 months period ended 30 April 2003.

|  | <-----Financial year ended-----> |        |        |        |        | 4 months<br>period<br>ended |
|--|----------------------------------|--------|--------|--------|--------|-----------------------------|
|  | <-----31 December----->          |        |        |        |        | 30 April                    |
|  | 1998                             | 1999   | 2000   | 2001   | 2002   | 2003                        |
|  | RM'000                           | RM'000 | RM'000 | RM'000 | RM'000 | RM'000                      |
| Turnover   | 636                              | 3,267  | 4,398  | 3,817  | 6,391  | 2,551                       |
| Profit before depreciation<br>and interest                             | 228                              | 1,200  | 1,386  | 1,255  | 2,318  | 925                         |
| Depreciation   | (148)                            | (147)  | (148)  | (152)  | (169)  | (62)                        |
| Interest expense   | (88)                             | (45)   | (18)   | (10)   | (9)    | (5)                         |
| (Loss)/Profit before taxation  | (8)                              | 1,008  | 1,220  | 1,093  | 2,140  | 858                         |
| Taxation   |                                  |        |        |        |        |                             |
| - current year/period  | 6                                | (6)    | (333)  | (404)  | (598)  | (271)                       |
| - prior years  | 6                                | -      | -      | -      | 9      | -                           |
| Profit after taxation  | 4                                | 1,002  | 887    | 689    | 1,551  | 587                         |
| Weighted average<br>number of ordinary shares<br>of RM1.00 each ('000) | 1,300                            | 1,300  | 1,343+ | 2,500  | 2,500  | 2,500                       |
| (Loss)/Earnings per share (sen)  |                                  |        |        |        |        |                             |
| - Gross  | (0.62)                           | 77.54  | 90.84  | 43.72  | 85.60  | 34.32                       |
| - Net  | 0.31                             | 77.08  | 66.05  | 27.56  | 62.04  | 23.48                       |

+ Weighted average number of shares in issue during the year is 1,342,740  
 $\{[(1,300,000 \times 352) + (2,500,000 \times 13)] / 365\}$

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



Furniweb Industrial Products Berhad

## 5.5 Furniweb Manufacturing (Vietnam) Co. Ltd.

We set out below the audited results of FVN, for the financial years ended 31 December 1998 to 2002 and 4 months period ended 30 April 2003.

|   | <----- Financial year ended 31 December -----> |        |        |        |        | Financial<br>period<br>ended |
|---|--|--------|--------|--------|--------|------------------------------|
|   | 1998   | 1999   | 2000   | 2001   | 2002   | 30 April<br>2003             |
|   | RM'000   | RM'000 | RM'000 | RM'000 | RM'000 | RM'000                       |
| Turnover  | 1,125  | 4,429  | 7,386  | 11,784 | 18,174 | 6,724                        |
| Profit before depreciation<br>and interest        | 1  | 228    | 1,845  | 3,591  | 4,748  | 1,870                        |
| Depreciation                                      | (114)  | (278)  | (346)  | (539)  | (692)  | (252)                        |
| Interest expense                                  | -  | (55)   | (215)  | (255)  | (379)  | (132)                        |
| (Loss)/Profit before taxation                     | (113)  | (105)  | 1,284  | 2,797  | 3,677  | 1,486                        |
| Taxation  | -  | -      | -      | -      | -      | -                            |
| (Loss)/Profit after taxation                      | (113)  | (105)  | 1,284  | 2,797  | 3,677  | 1,486                        |
| Weighted average<br>legal capital (RM'000)        | 4,567  | 4,567  | 4,567  | 4,567  | 4,567  | 4,567                        |
| (Loss)/Earnings per RM1.00<br>legal capital (sen) |  |        |        |        |        |                              |
| - Gross   | (2.47)   | (2.30) | 28.11  | 61.24  | 80.51  | 32.54                        |
| - Net   | (2.47)   | (2.30) | 28.11  | 61.24  | 80.51  | 32.54                        |

Note: FVN was incorporated on 16 January 1997

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



Furniweb Industrial Products Berhad

## 5.6 Syarikat Sri Kepong Sdn Bhd

We set out below the audited results of SSKSB, for the financial years ended 31 December 1998 to 2002 and 4 months period ended 30 April 2003.

|  | <-----Financial year ended-----> |        |        |        |        | 4 Months<br>period<br>ended |
|--|----------------------------------|--------|--------|--------|--------|-----------------------------|
|  | <----- 31 December ----->        |        |        |        |        | 30 April                    |
|  | 1998                             | 1999   | 2000   | 2001   | 2002   | 2003                        |
|  | RM'000                           | RM'000 | RM'000 | RM'000 | RM'000 | RM'000                      |
| Turnover   | 4                                | 4      | 4      | 4      | 4      | 1                           |
| Loss before depreciation<br>and interest                               | (6)                              | -      | -      | (1)    | (1)    | -                           |
| Depreciation   | (25)                             | (25)   | (25)   | (25)   | (25)   | (8)                         |
| Loss before taxation   | (31)                             | (25)   | (25)   | (26)   | (26)   | (8)                         |
| Taxation   | -                                | (1)    | (1)    | -      | -      | -                           |
| Loss after taxation  | (31)                             | (26)   | (26)   | (26)   | (26)   | (8)                         |
| Weighted average number<br>of ordinary shares<br>of RM1.00 each ('000) | 50                               | 50     | 50     | 50     | 50     | 50                          |
| Loss per share (sen)   |                                  |        |        |        |        |                             |
| - Gross  | (62)                             | (50)   | (50)   | (52)   | (52)   | (16)                        |
| - Net  | (62)                             | (52)   | (52)   | (52)   | (52)   | (16)                        |

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



Furniweb Industrial Products Berhad

## 5.7 Webtex Trading Sdn Bhd

We set out below the audited results of Webtex, for the financial years ended 31 January 1999 to 2000, 11 months period ended 31 December 2000 and financial year ended 31 December 2001 to 2002 and 4 months period ended 30 April 2003

|  | Financial year ended<br><- 31 January-><br>1999 2000 |        | 11 months period ended<br><-----31 December-----><br>2000 | Financial year ended<br>2001 2002 |        | 4 months period ended<br>> 30 April<br>2003 |
|--|--|--------|---|-----------------------------------|--------|---|
|  | RM'000   | RM'000 | RM'000  | RM'000                            | RM'000 | RM'000                                      |
| Turnover   | 690  | 1,096  | 4,877   | 5,486                             | 4,369  | 979   |
| Profit before depreciation,<br>interest and exceptional<br>item        | 87   | 56     | 361   | 321                               | 281    | 78  |
| Depreciation   | (1)  | (1)    | -   | (1)                               | (1)    | -   |
| Interest expense   | -  | -      | -   | -                                 | -      | -   |
| Exceptional item:<br>Gain on disposal of<br>investment                 | -  | -      | -   | 66                                | -      | -   |
| Profit before taxation   | 86   | 55     | 361   | 386                               | 280    | 78  |
| Taxation   |  |        |   |                                   |        |   |
| - current year/period  | -  | (15)   | (100)   | (89)                              | (90)   | (28)  |
| - prior years  | 1  | -      | -   | (12)                              | 2      | -   |
| Profit after taxation  | 87   | 40     | 261   | 285                               | 192    | 50  |
| Weighted average<br>number of ordinary shares<br>of RM1.00 each ('000) | 250  | 250    | 250   | 250                               | 250    | 250   |
| Earnings per share (sen)   |  |        |   |                                   |        |   |
| - Gross  | 34.4   | 22.0   | 144.4   | 154.4                             | 112.0  | 31.2  |
| - Net  | 34.8   | 16.0   | 104.4   | 114.0                             | 76.8   | 20.0  |

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



Furniweb Industrial Products Berhad

## 5.8 Texstrip Manufacturing Sdn Bhd

We set out below the audited results of Texstrip, for the financial years ended 31 March 1999 to 2000, 9 months period ended 31 December 2000, financial year ended 31 December 2001 to 2002 and 4 months period ended 30 April 2003.

|  | Financial year ended 31 March |        | 9 months period ended 31 December | Financial year ended 2001 2002 |        | 4 months period ended 30 April 2003 |
|--|-------------------------------|--------|-----------------------------------|--------------------------------|--------|-------------------------------------|
|  | 1999                          | 2000   | 2000                              | 2001                           | 2002   | 2003                                |
|  | RM'000                        | RM'000 | RM'000                            | RM'000                         | RM'000 | RM'000                              |
| Turnover   | 3,320                         | 3,444  | 3,361                             | 5,146                          | 6,647  | 2,328                               |
| Profit before depreciation and interest                          | 769                           | 737    | 606                               | 1,526                          | 1,821  | 451                                 |
| Depreciation   | (424)                         | (281)  | (190)                             | (269)                          | (292)  | (99)                                |
| Interest expense   | (292)                         | (235)  | (146)                             | (111)                          | (42)   | (8)                                 |
| Profit before taxation   | 53                            | 221    | 270                               | 1,146                          | 1,487  | 344                                 |
| Taxation   | -                             | -      | -                                 | -                              | -      | (69)                                |
| Profit after taxation  | 53                            | 221    | 270                               | 1,146                          | 1,487  | 275                                 |
| Weighted average number of ordinary shares of RM1.00 each ('000) | 2,700                         | 2,700  | 2,700                             | 2,700                          | 2,700  | 2,700                               |
| Earnings per share (sen)   |                               |        |                                   |                                |        |                                     |
| - Gross  | 1.96                          | 8.19   | 10.00                             | 42.44                          | 55.07  | 12.74                               |
| - Net  | 1.96                          | 8.19   | 10.00                             | 42.44                          | 55.07  | 10.19                               |



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



Furniweb Industrial Products Berhad

## 5.9 Trunet (Vietnam) Co. Ltd

Trunet was incorporated on 15 February 2001. We set out below the audited results of Trunet for the 11 months period ended 31 December 2001, financial year ended 31 December 2002 and 4 months period ended 30 April 2003.

|   | 11 months<br>period ended<br><-----31 December-----><br>2001<br>RM'000 | Financial year<br>ended<br>2002<br>RM'000 | 4 months<br>period ended<br>30 April<br>2003<br>RM'000 |
|---|--|---|--|
| Turnover  | 162<br>===   | 2,465<br>=====                            | 1,296<br>=====   |
| Profit before depreciation<br>and interest        | 24   | 781                                       | 499  |
| Depreciation                                      | (27)   | (162)                                     | (66)   |
| Interest expense                                  | -  | (16)                                      | (9)  |
| (Loss)/ Profit before taxation                    | <u>(3)</u>   | <u>603</u>                                | <u>424</u>   |
| Taxation  | -  | -   | -  |
| (Loss)/ Profit after taxation                     | <u>(3)</u><br>===  | <u>603</u><br>=====                       | <u>424</u><br>=====                                    |
| Weighted average legal<br>capital (RM'000)        | 760  | 1,079+                                    | 1,140  |
| (Loss)/Earnings per RM1.00 legal<br>capital (sen) |  |   |  |
| - Gross   | (0.39)   | 55.89                                     | 37.19  |
| - Net   | (0.39)   | 55.89                                     | 37.19  |

\* Note: Trunet was incorporated in Vietnam on 15 February 2001 and commenced operations on 1 October 2001.

+ Weighted average number of shares in issue during the year is 1,078,575  
 $\{[(760,000 \times 59) + (1,140,000 \times 306)] / 365\}$

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



Furniweb Industrial Products Berhad

## 5.10 First Elastic Corporation (M) Sdn Bhd

We set out below the audited results of FEC, for the financial years ended 31 March 1999 to 2002, 9 months period ended 31 December 2002 and 4 months period ended 30 April 2003.

|  | <-Financial year ended 31 March-> |        |        |        | 9 months<br>period<br>ended | 4 months<br>period<br>ended |
|--|-----------------------------------|--------|--------|--------|-----------------------------|-----------------------------|
|  | 1999                              | 2000   | 2001   | 2002   | 31December<br>2002          | 30 April<br>2003            |
|  | RM'000                            | RM'000 | RM'000 | RM'000 | RM'000                      | RM'000                      |
| Turnover   | 6,574                             | 7,846  | 8,041  | 8,890  | 7,924                       | 3,285                       |
| Profit before depreciation<br>and interest                             | 915                               | 1,138  | 1,462  | 1,703  | 954                         | 500                         |
| Depreciation   | (317)                             | (397)  | (505)  | (588)  | (438)                       | (204)                       |
| Interest expense   | (553)                             | (510)  | (310)  | (257)  | (187)                       | (72)                        |
| Profit before taxation   | 45                                | 231    | 647    | 858    | 329                         | 224                         |
| Taxation   | (30)                              | (82)   | (105)  | (144)  | (47)                        | 6                           |
| Profit after taxation  | 15                                | 149    | 542    | 714    | 282                         | 230                         |
| Weighted average number<br>of ordinary shares of<br>RM1.00 each ('000) | 2,000                             | 2,000  | 2,000  | 2,368* | 2,490                       | 2,490                       |
| Earnings per<br>share (sen)  |                                   |        |        |        |                             |                             |
| - Gross  | 2.25                              | 11.55  | 32.35  | 36.23  | 13.21                       | 9.00                        |
| - Net  | 0.75                              | 7.45   | 27.10  | 30.15  | 11.33                       | 9.24                        |

\* Weighted average number of shares in issue during the year is 2,367,500 [(2,490,000 x 9/12) + (2,000,000 x 3/12)]

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



Furniweb Industrial Products Berhad

## 5.11 Premier Gesture Sdn Bhd

PGSB was incorporated on 13 October 2001. We set out below the audited results of PGSB for the 15 months period ended 31 December 2002 and 4 months period ended 30 April 2003.

|  | 15 months<br>period ended<br>31 December<br>2002<br>RM'000 | 4 months<br>period ended<br>30 April<br>2003<br>RM'000 |
|--|--|--|
| Turnover   | -  | -  |
|  | ===  | ===  |
| Profit before depreciation<br>and interest                   | 19   | (8)  |
| Depreciation   | -  | -  |
| Interest expense   | -  | -  |
| Profit before taxation                                       | 19   | (8)  |
| Taxation   | -  | -  |
| Profit after taxation  | 19   | (8)  |
|  | ===  | ===  |
| Weighted average number of ordinary<br>shares of RM1.00 each | ***  | ***  |
| Earnings/(Loss) per share (RM'000)                           |  |  |
| - Gross  | 1.9  | (0.8)  |
| - Net  | 1.9  | (0.8)  |

\*\*\* Denotes 10

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

Furniweb Industrial Products Berhad



## 5.12 Premier Elastic Webbing &amp; Accessories (V) Co Ltd

PEWA was incorporated on 23 January 2002. We set out below the audited results of PEWA for the 11 months period ended 31 December 2002 and 4 months period ended 30 April 2003.

|  | 11 months<br>period ended<br>31 December<br>2002<br>RM'000 | 4 months<br>period ended<br>30 April<br>2003<br>RM'000 |
|--|--|--|
| Turnover                                 | -  | 43   |
|  | ===  | ===  |
| Loss before depreciation<br>and interest | (463)  | (214)  |
| Depreciation                             | -  | (128)  |
| Interest expense                         | (1)  | (8)  |
| Loss before taxation                     | (464)  | (350)  |
| Taxation                                 | -  | 61   |
| Loss after taxation                      | (464)  | (289)  |
|  | ===  | ===  |
| Weighted average legal<br>capital ('000) | 4,560  | 4,560  |
| Loss per RM1.00 legal<br>capital (sen)   |  |  |
| - Gross                                  | (10.00)  | (7.68)   |
| - Net                                    | (10.00)  | (6.34)   |

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



Furniweb Industrial Products Berhad

## 6. Summarised Balance Sheets

## 6.1 Furniweb Industrial Products Berhad

The summarised balance sheets of FIPB based on the Company's audited financial statements for the financial period ended 31 December 2001, financial year ended 31 December 2002 and 4 months period ended 30 April 2003 are as follow:-

|   | As at 31 December |         | As at 30 April |
|---|-------------------|---------|----------------|
|   | 2001              | 2002    | 2003           |
|   | RM'000            | RM'000  | RM'000         |
| Deferred expenditure                            | -                 | 20      | 20             |
| Current assets                                  | *                 | *       | *              |
| Less: Current liabilities                       | (3)               | (27)    | (27)           |
| Net current liabilities                         | (3)               | (27)    | (27)           |
|   | (3)               | (7)     | (7)            |
|   | =====             | =====   | =====          |
| Financed by:                                    |                   |         |                |
| Share capital                                   | *                 | *       | *              |
| Accumulated losses                              | (3)               | (7)     | (7)            |
| Shareholders' funds                             | (3)               | (7)     | (7)            |
|   | =====             | =====   | =====          |
| No. of ordinary shares<br>of RM1.00 each ('000) | **                | **      | **             |
| NTA per share (RM'000)                          | (1.50)            | (13.50) | (13.50)        |

\* Denotes RM2

\*\* Denotes 2

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



Furniweb Industrial Products Berhad

## 6.2 Furniweb Manufacturing Sdn Bhd

The summarised balance sheets of FMSB based on the Company's audited financial statements for the financial years ended 31 December 1998 to 2002 and 4 months period ended 30 April 2003 are as follow:-

|  | ←-----As at 31 December-----> |         |         |         |         | As at            |
|--|-------------------------------|---------|---------|---------|---------|------------------|
|  | 1998                          | 1999    | 2000    | 2001    | 2002    | 30 April<br>2003 |
|  | RM'000                        | RM'000  | RM'000  | RM'000  | RM'000  | RM'000           |
| Investment in subsidiaries                       | 6,462                         | 6,462   | 6,462   | 6,462   | 6,022   | 6,022            |
| Investments in jointly<br>controlled entity      | -                             | -       | -       | 380     | 570     | 570              |
| Other investments                                | 155                           | 166     | 35      | 40      | 18      | 18               |
| Property, plant and<br>equipment                 | 7,036                         | 6,304   | 7,158   | 7,432   | 7,981   | 7,771            |
| Current assets                                   | 7,395                         | 10,643  | 10,447  | 11,802  | 16,231  | 17,161           |
| Less: Current liabilities                        | (6,160)                       | (4,740) | (4,822) | (6,077) | (9,883) | (9,735)          |
| Net current assets                               | 1,235                         | 5,903   | 5,625   | 5,725   | 6,348   | 7,426            |
|  | 14,888                        | 18,835  | 19,280  | 20,039  | 20,939  | 21,807           |
| Financed by:                                     |                               |         |         |         |         |                  |
| Share capital                                    | 5,828                         | 5,828   | 5,828   | 5,828   | 5,828   | 5,828            |
| Retained profits                                 | 8,402                         | 12,367  | 12,644  | 12,770  | 12,929  | 13,885           |
| Shareholders' funds                              | 14,230                        | 18,195  | 18,472  | 18,598  | 18,757  | 19,713           |
| Deferred and long term<br>liabilities            | 658                           | 640     | 808     | 1,441   | 2,182   | 2,094            |
|  | 14,888                        | 18,835  | 19,280  | 20,039  | 20,939  | 21,807           |
| No. of ordinary shares<br>of RM1.00 each* ('000) | 5,828                         | 5,828   | 5,828   | 5,828   | 5,828   | 5,828            |
| NTA per share (RM)                               | 2.44                          | 3.12    | 3.17    | 3.19    | 3.22    | 3.38             |

\* The actual number of shares is 5,827,500

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



Furniweb Industrial Products Berhad

## 6.2.1 Adjustments

An adjustment was made retrospectively to the deferred and long term liabilities and retained profits of FMSB to account for the tax effect of the revaluation of its property, plant and equipment in compliance with MASB 25 as follows:-

|                                       | <-----As at 31 December-----> |               |               |               |               | As at            |
|---------------------------------------|-------------------------------|---------------|---------------|---------------|---------------|------------------|
|                                       | 1998                          | 1999          | 2000          | 2001          | 2002          | 30 April<br>2003 |
|                                       | RM'000                        | RM'000        | RM'000        | RM'000        | RM'000        | RM'000           |
| Retained Profits                      | 9,025                         | 12,990        | 13,267        | 13,393        | 13,552        | 13,885           |
| Effect on adoption of<br>MASB 25      | (623)                         | (623)         | (623)         | (623)         | (623)         | -                |
| As restated                           | <u>8,402</u>                  | <u>12,367</u> | <u>12,644</u> | <u>12,770</u> | <u>12,929</u> | <u>13,885</u>    |
| Deferred and long<br>term liabilities | 35                            | 17            | 185           | 818           | 1,559         | 2,094            |
| Effect on adoption of<br>MASB 25      | 623                           | 623           | 623           | 623           | 623           | -                |
| As restated                           | <u>658</u>                    | <u>640</u>    | <u>808</u>    | <u>1,441</u>  | <u>2,182</u>  | <u>2,094</u>     |

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



Furniweb Industrial Products Berhad

## 6.3 Furniweb-VOA Safety Webbing Sdn Bhd

The summarised balance sheets of FVOA based on the Company's audited financial statements for the financial period ended 31 December 1998, financial years ended 31 December 1999 to 2002 and 4 months period ended 30 April 2003 are as follows:-

|  | <-----As at 31 December-----> |        |        |        |         | As at            |
|--|-------------------------------|--------|--------|--------|---------|------------------|
|  | 1998                          | 1999   | 2000   | 2001   | 2002    | 30 April<br>2003 |
|  | RM'000                        | RM'000 | RM'000 | RM'000 | RM'000  | RM'000           |
| Plant and equipment                          | 1,242                         | 1,095  | 970    | 850    | 1,002   | 941              |
| Current assets                               | 1,024                         | 1,622  | 2,476  | 2,955  | 4,536   | 5,160            |
| Less: Current liabilities                    | (708)                         | (173)  | (652)  | (441)  | (1,601) | (1,545)          |
| Net current assets                           | 316                           | 1,449  | 1,824  | 2,514  | 2,935   | 3,615            |
|  | 1,558                         | 2,544  | 2,794  | 3,364  | 3,937   | 4,556            |
| <b>Financed by:</b>                          |                               |        |        |        |         |                  |
| Share capital                                | 1,300                         | 1,300  | 2,500  | 2,500  | 2,500   | 2,500            |
| Retained profits                             | 203                           | 1,204  | 241    | 705    | 1,257   | 1,844            |
| Shareholders' funds                          | 1,503                         | 2,504  | 2,741  | 3,205  | 3,757   | 4,344            |
| Deferred and long term liabilities           | 55                            | 40     | 53     | 159    | 180     | 212              |
|  | 1,558                         | 2,544  | 2,794  | 3,364  | 3,937   | 4,556            |
| No. of ordinary shares of RM1.00 each ('000) | 1,300                         | 1,300  | 2,500  | 2,500  | 2,500   | 2,500            |
| NTA per share (RM)                           | 1.16                          | 1.93   | 1.10   | 1.28   | 1.50    | 1.74             |



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



Furniweb Industrial Products Berhad

## 6.4 Furniweb Manufacturing (Vietnam) Co. Ltd.

The summarised balance sheets of FVN based on the Company's audited financial statements for the financial years ended 31 December 1998 to 2002 and 4 months period ended 30 April 2003.

|                                    | <----- As at 31 December -----> |         |         |         |         | As at            |
|------------------------------------|---------------------------------|---------|---------|---------|---------|------------------|
|                                    | 1998                            | 1999    | 2000    | 2001    | 2002    | 30 April<br>2003 |
|                                    | RM'000                          | RM'000  | RM'000  | RM'000  | RM'000  | RM'000           |
| Property, plant and equipment      | 3,377                           | 4,543   | 6,368   | 8,261   | 7,994   | 10,328           |
| Expenditure carried forward        | 537                             | 476     | 405     | 328     | 214     | -                |
| Current assets                     | 1,311                           | 2,307   | 3,555   | 7,182   | 10,910  | 11,713           |
| Less: Current liabilities          | (835)                           | (2,733) | (3,255) | (5,679) | (6,768) | (7,125)          |
| Net current assets/(liabilities)   | 476                             | (426)   | 300     | 1,503   | 4,142   | 4,588            |
|                                    | 4,390                           | 4,593   | 7,073   | 10,092  | 12,350  | 14,916           |
| Financed by:                       |                                 |         |         |         |         |                  |
| Share capital                      | 4,567                           | 4,567   | 4,567   | 4,567   | 4,567   | 4,567            |
| Reserves                           | (177)                           | (315)   | 825     | 3,247   | 6,924   | 8,364            |
| Shareholders' funds                | 4,390                           | 4,252   | 5,392   | 7,814   | 11,491  | 12,931           |
| Deferred and long term liabilities | -                               | 341     | 1,681   | 2,278   | 859     | 1,985            |
|                                    | 4,390                           | 4,593   | 7,073   | 10,092  | 12,350  | 14,916           |
| Legal capital (RM'000)             | 4,567                           | 4,567   | 4,567   | 4,567   | 4,567   | 4,567            |
| NTA per RM1.00 legal capital (RM)  | 0.84                            | 0.83    | 1.00    | 1.64    | 2.47    | 2.83             |

Note: FVN was incorporated on 16 January 1997

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



Furniweb Industrial Products Berhad

## 6.5 Syarikat Sri Kepong Sdn Bhd

The summarised balance sheets of SSKSB based on the Company's audited financial statements for the financial years ended 31 December 1998 to 2002 and 4 months period ended 30 April 2003 are as follows:-

|   | <----- As at 31 December -----> |        |        |        |        | As at            |
|---|---------------------------------|--------|--------|--------|--------|------------------|
|   | 1998                            | 1999   | 2000   | 2001   | 2002   | 30 April<br>2003 |
|   | RM'000                          | RM'000 | RM'000 | RM'000 | RM'000 | RM'000           |
| Property  | 1,045                           | 1,019  | 994    | 969    | 944    | 936              |
| Current assets                                  | -                               | -      | -      | -      | -      | -                |
| Less: Current liabilities                       | (18)                            | (19)   | (19)   | (20)   | (21)   | (21)             |
| Net current liabilities                         | (18)                            | (19)   | (19)   | (20)   | (21)   | (21)             |
|   | 1,027                           | 1,000  | 975    | 949    | 923    | 915              |
| <b>Financed by:</b>                             |                                 |        |        |        |        |                  |
| Share capital                                   | 50                              | 50     | 50     | 50     | 50     | 50               |
| Capital reserve                                 | 834                             | 834    | 834    | 834    | 834    | 834              |
| Accumulated losses                              | (182)                           | (209)  | (234)  | (260)  | (286)  | (294)            |
| Shareholders' funds                             | 702                             | 675    | 650    | 624    | 598    | 590              |
| Deferred taxation                               | 325                             | 325    | 325    | 325    | 325    | 325              |
|   | 1,027                           | 1,000  | 975    | 949    | 923    | 915              |
| No. of ordinary shares<br>of RM1.00 each ('000) | 50                              | 50     | 50     | 50     | 50     | 50               |
| NTA per share (RM)                              | 14.04                           | 13.50  | 13.00  | 12.48  | 11.96  | 11.80            |

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



Furniweb Industrial Products Berhad

## 6.5.1 Adjustments

An adjustment was made retrospectively to the deferred taxation and capital reserve of SSKSB to account for the tax effect of the revaluation of its property, plant and equipment in compliance with MASB 25 as follows:-

|                                  | <-----As at 31 December-----> |            |            |            |            | As at            |
|----------------------------------|-------------------------------|------------|------------|------------|------------|------------------|
|                                  | 1998                          | 1999       | 2000       | 2001       | 2002       | 30 April<br>2003 |
|                                  | RM'000                        | RM'000     | RM'000     | RM'000     | RM'000     | RM'000           |
| Capital reserve                  | 1,159                         | 1,159      | 1,159      | 1,159      | 1,159      | 834              |
| Effect on adoption of<br>MASB 25 | (325)                         | (325)      | (325)      | (325)      | (325)      | -                |
| As restated                      | <u>834</u>                    | <u>834</u> | <u>834</u> | <u>834</u> | <u>834</u> | <u>834</u>       |
| Deferred taxation                | -                             | -          | -          | -          | -          | 325              |
| Effect on adoption of<br>MASB 25 | 325                           | 325        | 325        | 325        | 325        | -                |
| As restated                      | <u>325</u>                    | <u>325</u> | <u>325</u> | <u>325</u> | <u>325</u> | <u>325</u>       |

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



Furniweb Industrial Products Berhad

## 6.6 Webtex Trading Sdn Bhd

The summarised balance sheets of Webtex based on the Company's audited financial statements for the financial years ended 31 January 1999 to 2000, 11 months period ended 31 December 2000, financial years ended 31 December 2001 to 2002 and 4 months period ended 30 April 2003 are as follows:-

|   | <----- As at ----->                     |                |                |                |                |                            |
|---|---|----------------|----------------|----------------|----------------|----------------------------|
|   | <----31 January ----><br>1999<br>RM'000 | 2000<br>RM'000 | 2000<br>RM'000 | 2001<br>RM'000 | 2002<br>RM'000 | 30 April<br>2003<br>RM'000 |
| Plant and equipment                             | -                                       | -              | 7              | 7              | 6              | 6                          |
| Investment                                      | 146                                     | 146            | 146            | -              | -              | -                          |
| Current assets                                  | 782                                     | 826            | 1,750          | 2,221          | 1,736          | 1,980                      |
| Less: Current liabilities                       | (285)                                   | (290)          | (960)          | (1,000)        | (511)          | (705)                      |
| Net current assets                              | 497                                     | 536            | 790            | 1,221          | 1,225          | 1,275                      |
|   | 643                                     | 682            | 943            | 1,228          | 1,231          | 1,281                      |
| Financed by:                                    |   |                |                |                |                |                            |
| Share capital                                   | 250                                     | 250            | 250            | 250            | 250            | 250                        |
| Retained profits                                | 393                                     | 432            | 693            | 978            | 981            | 1,031                      |
| Shareholders' funds                             | 643                                     | 682            | 943            | 1,228          | 1,231          | 1,281                      |
| No. of ordinary shares<br>of RM1.00 each ('000) | 250                                     | 250            | 250            | 250            | 250            | 250                        |
| NTA per share (RM)                              | 2.57                                    | 2.73           | 3.77           | 4.91           | 4.92           | 5.12                       |

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



Furniweb Industrial Products Berhad

## 6.7 Texstrip Manufacturing Sdn Bhd

The summarised balance sheets of Texstrip based on the Company's audited financial statements for the financial years ended 31 March 1999 to 2000, 9 months period ended 31 December 2000, financial years ended 31 December 2001 to 2002 and 4 months period ended 30 April 2003 are as follows:-

|   | <----- As at ----->                    |                |   |                |                |                            |
|---|--|----------------|---|----------------|----------------|----------------------------|
|   | <---- 31 March ----><br>1999<br>RM'000 | 2000<br>RM'000 | <----- 31 December -----><br>2000<br>RM'000 | 2001<br>RM'000 | 2002<br>RM'000 | 30 April<br>2003<br>RM'000 |
| Property, plant and equipment                   | 3,886                                  | 3,783          | 3,788                                       | 3,854          | 3,901          | 3,973                      |
| Current assets                                  | 1,008                                  | 1,262          | 1,550                                       | 1,882          | 2,240          | 2,172                      |
| Less: Current liabilities                       | (3,131)                                | (3,129)        | (3,190)                                     | (2,378)        | (2,246)        | (2,069)                    |
| Net current (liabilities)/assets                | (2,123)                                | (1,867)        | (1,640)                                     | (496)          | (6)            | 103                        |
|   | <u>1,763</u>                           | <u>1,916</u>   | <u>2,148</u>                                | <u>3,358</u>   | <u>3,895</u>   | <u>4,076</u>               |
| <b>Financed by:</b>                             |  |                |   |                |                |                            |
| Share capital                                   | 2,700                                  | 2,700          | 2,700                                       | 2,700          | 2,700          | 2,700                      |
| Capital reserve                                 | 995                                    | 995            | 995   | 995            | 995            | 995                        |
| (Accumulated losses)/<br>Retained profits       | (2,231)                                | (2,010)        | (1,741)                                     | (594)          | (120)          | 155                        |
| Shareholders' funds                             | <u>1,464</u>                           | <u>1,685</u>   | <u>1,954</u>                                | <u>3,101</u>   | <u>3,575</u>   | <u>3,850</u>               |
| Deferred and long term liabilities              | 299                                    | 231            | 194   | 257            | 320            | 226                        |
|   | <u>1,763</u>                           | <u>1,916</u>   | <u>2,148</u>                                | <u>3,358</u>   | <u>3,895</u>   | <u>4,076</u>               |
| No. of ordinary shares<br>of RM1.00 each ('000) | 2,700                                  | 2,700          | 2,700                                       | 2,700          | 2,700          | 2,700                      |
| NTA per share (RM)                              | 0.54                                   | 0.62           | 0.72  | 1.15           | 1.32           | 1.43                       |

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



Furniweb Industrial Products Berhad

## 6.7.1 Adjustments

An adjustment was made retrospectively to the deferred and long term liabilities and capital reserve of Texstrip to account for the tax effect of the revaluation of its property, plant and equipment in compliance with MASB 25 as follows:-

|                                       | <-----As at 31 December-----> |        |        |        |        | As at    |
|---------------------------------------|-------------------------------|--------|--------|--------|--------|----------|
|                                       | 1998                          | 1999   | 2000   | 2001   | 2002   | 30 April |
|                                       | RM'000                        | RM'000 | RM'000 | RM'000 | RM'000 | 2003     |
|                                       |                               |        |        |        |        | RM'000   |
| Capital reserve                       | 1,189                         | 1,189  | 1,189  | 1,189  | 1,189  | 995      |
| Effect on adoption of<br>MASB 25      | (194)                         | (194)  | (194)  | (194)  | (194)  | -        |
| As restated                           | 995                           | 995    | 995    | 995    | 995    | 995      |
| Deferred and long<br>term liabilities | 105                           | 37     | -      | 63     | 126    | 226      |
| Effect on adoption of<br>MASB 25      | 194                           | 194    | 194    | 194    | 194    | -        |
| As restated                           | 299                           | 231    | 194    | 257    | 320    | 226      |

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



Furniweb Industrial Products Berhad

## 6.8 Trunet (Vietnam) Co. Ltd

The summarised balance sheet of Trunet based on the Company's audited financial statements for the financial period/year ended 31 December 2001 to 2002 and 4 months period ended 30 April 2003 are as follows:-

|                                   | As at 31 December |        | As at 30 April |
|-----------------------------------|-------------------|--------|----------------|
|                                   | 2001              | 2002   | 2003           |
|                                   | RM'000            | RM'000 | RM'000         |
| Plant and equipment               | 482               | 743    | 730            |
| Expenditure carried forward       | 11                | 7      | 7              |
| Current assets                    | 368               | 1,465  | 1,962          |
| Less: Current liabilities         | (121)             | (505)  | (572)          |
| Net current assets                | 247               | 960    | 1,390          |
|                                   | 740               | 1,710  | 2,127          |
|                                   | =====             | =====  | =====          |
| Financed by:                      |                   |        |                |
| Share capital                     | 760               | 1,140  | 1,140          |
| Reserves                          | (20)              | 570    | 987            |
| Shareholders' funds               | 740               | 1,710  | 2,127          |
|                                   | =====             | =====  | =====          |
| Legal capital (RM'000)            | 760               | 1,140  | 1,140          |
| NTA per RM1.00 legal capital (RM) | 0.97              | 1.50   | 1.87           |

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



Furniweb Industrial Products Berhad

## 6.9 First Elastic Corporation (M) Sdn Bhd

The summarised balance sheets of FEC based on the Company's audited financial statements for the financial years ended 31 March 1999 to 2002, 9 months period ended 31 December 2003 and 4 months period ended 30 April 2003 are as follows:-

|  | <-----As at-----> |         |         |          |         |         |
|--|-------------------|---------|---------|----------|---------|---------|
|  | 31                |         | 31      |          | 30      |         |
|  | <-----March-----> |         |         | December |         | April   |
|  | 1999              | 2000    | 2001    | 2002     | 2002    | 2003    |
|  | RM'000            | RM'000  | RM'000  | RM'000   | RM'000  | RM'000  |
| Property, plant and equipment                | 3,277             | 3,623   | 4,310   | 4,512    | 4,467   | 4,426   |
| Current assets                               | 4,560             | 5,336   | 5,443   | 6,085    | 6,278   | 6,145   |
| Less: Current liabilities                    | (4,574)           | (5,423) | (5,790) | (5,531)  | (6,215) | (5,709) |
| Net current (liabilities)/ assets            | (14)              | (87)    | (347)   | 554      | 63      | 436     |
|  | 3,263             | 3,536   | 3,963   | 5,066    | 4,530   | 4,862   |
| =====  |                   |         |         |          |         |         |
| Financed by:                                 |                   |         |         |          |         |         |
| Share capital                                | 2,000             | 2,000   | 2,000   | 2,490    | 2,490   | 2,490   |
| (Accumulated losses)/Retained profits        | (43)              | 107     | 649     | 1,363    | 1,397   | 1,720   |
| Shareholders' funds                          | 1,957             | 2,107   | 2,649   | 3,853    | 3,887   | 4,210   |
| Share application monies #                   | 1,000             | 1,000   | 490     | 510      | -       | -       |
| Deferred and long term liabilities           | 306               | 429     | 824     | 703      | 643     | 652     |
|  | 3,263             | 3,536   | 3,963   | 5,066    | 4,530   | 4,862   |
| =====  |                   |         |         |          |         |         |
| No. of ordinary shares of RM1.00 each ('000) | 2,000             | 2,000   | 2,000   | 2,490    | 2,490   | 2,490   |
| NTA per share (RM)                           | 0.98              | 1.05    | 1.32    | 1.55     | 1.56    | 1.69    |

# For the purpose of the proposed restructuring exercise, share application monies is intended to be refunded to the shareholders upon completion of the exercise. Hence, it is excluded from shareholders' funds.



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

Furniweb Industrial Products Berhad

**6.10 Premier Gesture Sdn Bhd**

The summarised balance sheet of PGSB based on the Company's audited financial statements for the 15 months period ended 31 December 2002 and 4 months period ended 30 April 2003 are as follows:-

|   | As at 31 December<br>2002<br>RM'000 | As at 30 April<br>2003<br>RM'000 |
|---|-------------------------------------|----------------------------------|
| Investment                                      | 4,560                               | 4,560                            |
| Current assets                                  | 60                                  | 40                               |
| Less: Current liabilities                       | (4,601)                             | (4,590)                          |
| Net current liabilities                         | (4,541)                             | (4,550)                          |
|   | 19                                  | 10                               |
|   | =====                               | =====                            |
| Financed by:                                    |                                     |                                  |
| Share capital                                   | *                                   | *                                |
| Retained profits                                | 19                                  | 10                               |
| Shareholders' funds                             | 19                                  | 10                               |
|   | =====                               | =====                            |
| No. of ordinary shares<br>of RM1.00 each ('000) | **                                  | **                               |
| NTA per share (RM'000)                          | 1.90                                | 1.00                             |

\* Denotes RM10.

\*\* Denotes 10

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

Furniweb Industrial Products Berhad

**6.11 Premier Elastic Webbing & Accessories (V) Co Ltd**

The summarised balance sheet of PEWA based on the Company's audited financial statements for the 11 months period ended 31 December 2002 and 4 months period ended 30 April 2003 are as follows:-

|                                      | As at 31 December<br>2002<br>RM'000 | As at 30 April<br>2003<br>RM'000 |
|--------------------------------------|-------------------------------------|----------------------------------|
| Property, plant and equipment        | 4,656                               | 5,001                            |
| Current assets                       | 1,666                               | 1,174                            |
| Less: Current liabilities            | (2,241)                             | (2,401)                          |
| Net current liabilities              | (575)                               | (1,227)                          |
|                                      | 4,081                               | 3,774                            |
|                                      | =====                               | =====                            |
| Financed by:                         |                                     |                                  |
| Share capital                        | 4,560                               | 4,560                            |
| Reserves                             | (479)                               | (786)                            |
| Shareholders' funds                  | 4,081                               | 3,774                            |
|                                      | =====                               | =====                            |
| Legal capital (RM'000)               | 4,560                               | 4,560                            |
| NTA per RM1.00<br>legal capital (RM) | 0.89                                | 0.83                             |

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



Furniweb Industrial Products Berhad

## 7. Proforma Statement Of Assets And Liabilities

The proforma statement of assets and liabilities set out below have been prepared for illustration purposes only and are based on audited financial statements of FIPB, FMSB Group, Webtex, Texstrip and FEC as at 30 April 2003.

|  |        | At<br>30 April<br>2003 | Proforma (a) | Proforma (b) | Proforma (c) |
|--|--------|------------------------|--------------|--------------|--------------|
|  | Note   | RM'000                 | RM'000       | RM'000       | RM'000       |
| <b>Property, plant and equipment</b>               | 7.1.2  | -                      | 32,856       | 32,856       | 39,356       |
| <b>Investment in jointly<br/>controlled entity</b> | 7.1.3  | -                      | 1,064        | 1,064        | 1,064        |
| <b>Other investments</b>                           | 7.1.4  | -                      | 18           | 18           | 18           |
| <b>Deferred tax asset</b>                          | 7.1.5  | -                      | 61           | 61           | 61           |
| <b>Deferred expenditure</b>                        |        | 20                     | 20           | 20           | 20           |
| <b>Current assets</b>                              |        |                        |              |              |              |
| Inventories  | 7.1.6  | -                      | 13,339       | 13,339       | 13,339       |
| Trade and other receivables                        | 7.1.7  | -                      | 15,029       | 15,029       | 15,029       |
| Tax recoverable                                    |        | -                      | 233          | 233          | 233          |
| Cash and cash equivalents                          | 7.1.8  | **                     | 6,879        | 13,715       | 14,055       |
|  |        | **                     | 35,480       | 42,316       | 42,656       |
| <b>Current liabilities</b>                         |        |                        |              |              |              |
| Trade and other payables                           | 7.1.9  | 27                     | 14,669       | 14,669       | 14,669       |
| Bank borrowings                                    | 7.1.10 | -                      | 5,982        | 5,982        | 5,982        |
| Dividend payable                                   |        | -                      | 3,533        | 3,533        | 3,533        |
| Taxation   |        | -                      | 376          | 376          | 376          |
|  |        | 27                     | 24,560       | 24,560       | 24,560       |
| <b>Net current (liabilities)/assets</b>            |        | (27)                   | 10,920       | 17,756       | 18,096       |
|  |        | (7)                    | 44,939       | 51,775       | 58,615       |
| <b>Financed by:</b>                                |        |                        |              |              |              |
| <b>Capital and reserves</b>                        |        |                        |              |              |              |
| Share capital                                      | 7.1.11 | **                     | 29,164       | 36,000       | 40,000       |
| Share premium                                      | 7.1.12 | -                      | 2,333        | 2,333        | 5,173        |
| Reserves   |        | (7)                    | 7,161        | 7,161        | 7,161        |
|  |        | (7)                    | 38,658       | 45,494       | 52,334       |
| <b>Minority shareholders'<br/>interests</b>        | 7.1.13 | -                      | 1,738        | 1,738        | 1,738        |

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



Furniweb Industrial Products Berhad

## 7. Proforma Statement Of Assets And Liabilities (Cont'd)

|   | Note   | At 30<br>April<br>2003<br>RM'000 | Proforma (a)<br>RM'000 | Proforma (b)<br>RM'000 | Proforma (c)<br>RM'000 |
|---|--------|----------------------------------|------------------------|------------------------|------------------------|
| <b>Long term and deferred liabilities</b>       |        |                                  |                        |                        |                        |
| Bank borrowings                                 | 7.1.10 | -                                | 2,513                  | 2,513                  | 2,513                  |
| Deferred taxation                               | 7.1.14 | -                                | 2,030                  | 2,030                  | 2,030                  |
|   |        | -----                            | -----                  | -----                  | -----                  |
|   |        | (7)                              | 44,939                 | 51,775                 | 58,615                 |
|   |        | =====                            | =====                  | =====                  | =====                  |
| No. of ordinary shares of<br>RM1.00 each ('000) |        | *                                | 29,164                 | 36,000                 | -                      |
| No. of ordinary shares of<br>RM0.50 each        |        | -                                | -                      | -                      | 80,000                 |
| Net tangible assets (RM'000)                    |        | (27)                             | 38,638                 | 45,474                 | 52,314                 |
| Net tangible assets per share (RM)              |        | (13,500)                         | 1.32                   | 1.26                   | 0.65                   |

\* Denotes 2

\*\* Denotes RM2.00

**Proforma (a)** - After the Corporate Reorganisation Exercise**Proforma (b)** - After Proforma (a) and the Restructuring Exercise**Proforma (c)** - After Proforma (b) and the Split of Shares and the Proposed IPO Exercise

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

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*Furniweb Industrial Products Berhad***7.1 Notes to the Proforma Statement of Assets and Liabilities****7.1.1 Summary of significant accounting policies**

The following accounting policies are adopted by the Proforma Group and are consistent with those adopted by FIPB in previous years except for the adoption of MASB 25, Income Taxes.

**(a) Basis of accounting**

The statement of assets and liabilities of the Proforma Group are prepared on the historical cost basis except as disclosed in the notes and in compliance with applicable approved accounting standards in Malaysia.

**(b) Basis of consolidation**

Subsidiaries are those enterprises 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.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries 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 subsidiaries' 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 subsidiaries' net assets is reflected as goodwill or negative goodwill 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.

**(c) Goodwill**

Goodwill represents the excess of the cost of the acquisition over the fair values of the net identifiable assets acquired and is stated at cost. An impairment loss is recognised when the Directors are of the view that there is a diminution in its value which is other than temporary.

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

Investments in subsidiaries and jointly controlled entity are stated at cost less impairment loss, where applicable.

Investments in quoted securities are stated at lower of cost and market value.

**(e) Joint venture**

A joint venture is a contractual agreement whereby the Group and other parties have joint control over an economic activity.

In respect of its interest in jointly controlled entities, the Group uses the equity method to account for its interest.

Unrealised profits or losses arising from transactions between the Group and its joint venturers are recognised only to the extent of that portion of the gain or loss which is attributable to the interests of the other venturers. Unrealised losses are recognised in full when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

**(f) Property, plant and equipment**

Property, plant and equipment except for construction in progress are stated at cost/valuation less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

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

**(g) Depreciation**

Leasehold land is amortised in equal instalments over the period of the respective leases which range from forty-five to fifty years while buildings are depreciated on a straight line basis over the shorter of fifty years or the lease period. 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:

|                                |           |
|--------------------------------|-----------|
| Plant and machinery            | 10%       |
| Furniture and office equipment | 10% - 20% |
| Motor vehicles                 | 10%       |

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

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*Furniweb Industrial Products Berhad***(h) Hire purchase liabilities**

The cost of assets acquired under the hire purchase agreements are capitalised. The depreciation policy on these assets is set out in note 7.1.1(g). Outstanding obligations due under the hire purchase agreements after deducting unexpired finance expenses are included in the financial statements. Finance charges are allocated to the income statement over the period of hire purchase agreements so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

**(i) Inventories**

Raw materials, work-in-progress, manufactured inventories and other consumables are stated at the lower of cost and net realisable value with weighted average cost being the main basis for cost. The cost of raw materials and other consumables comprise purchase cost and related costs of bringing the inventories to their present condition and location. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

**(j) Trade and other receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts.

**(k) Cash and cash equivalents**

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

**(l) Liabilities**

Borrowings and trade and other payables are stated at cost.

**(m) Provision**

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

**(n) Impairment**

The carrying amount of the Group's assets, other than inventories and financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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Furniweb Industrial Products Berhad

**(n) Impairment (continued)**

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

**(o) Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**(p) Foreign currency****(i) 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.



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



Furniweb Industrial Products Berhad

**(p) Foreign currency (continued)****(ii) Financial statements of foreign operations**

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, are translated to Ringgit Malaysia at exchange rate ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

|          |        |
|----------|--------|
| 1,000 VD | RM0.24 |
| 1 USD    | RM3.80 |
| 1 EURO   | RM4.22 |
| 100 Yen  | RM3.17 |

**(q) Revenue****(i) Goods sold**

Revenue from 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.

**(r) Other income****(i) Dividend income**

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

**(ii) Interest income**

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

**(n) Expenses****(i) Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

**(ii) Financing costs**

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

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

Furniweb Industrial Products Berhad

## 7.1.2 Property, Plant and Equipment – Proforma Group

| <i>Cost or valuation</i>        | Long term leasehold land RM'000 | Short term leasehold land RM'000 | Freehold land RM'000 | Buildings RM'000 | Plant and machineries RM'000 | Furniture and office equipment RM'000 | Motor vehicles RM'000 | Construction in progress RM'000 | Total RM'000 |
|---------------------------------|---------------------------------|----------------------------------|----------------------|------------------|------------------------------|---------------------------------------|-----------------------|---------------------------------|--------------|
| Opening balance                 | 1,076                           | 1,166                            | 1,017                | 10,745           | 27,399                       | 1,526                                 | 2,690                 | 1,760                           | 47,379       |
| Additions                       | -                               | -                                | -                    | 298              | 2,380                        | 86                                    | 62                    | 297                             | 3,123        |
| Disposal                        | -                               | -                                | -                    | (117)            | (17)                         | (1)                                   | (47)                  | -                               | (182)        |
| Transfers                       | -                               | -                                | -                    | 1,686            | 274                          | -                                     | -                     | (1,960)                         | -            |
| Exchange difference             | -                               | -                                | -                    | (14)             | (23)                         | (1)                                   | (1)                   | -                               | (39)         |
| Closing balance                 | 1,076                           | 1,166                            | 1,017                | 12,598           | 30,013                       | 1,610                                 | 2,704                 | 97                              | 50,281       |
| Representing items at:          |                                 |                                  |                      |                  |                              |                                       |                       |                                 |              |
| Valuation                       | 802                             | 1,159                            | 604                  | 2,007            | -                            | -                                     | -                     | -                               | 4,572        |
| Cost                            | 274                             | 7                                | 413                  | 8,738            | 27,399                       | 1,526                                 | 2,690                 | 1,760                           | 42,807       |
|                                 | 1,076                           | 1,166                            | 1,017                | 10,745           | 27,399                       | 1,526                                 | 2,690                 | 1,760                           | 47,379       |
| <i>Accumulated depreciation</i> |                                 |                                  |                      |                  |                              |                                       |                       |                                 |              |
| Opening balance                 | 208                             | 222                              | -                    | 1,449            | 13,017                       | 1,028                                 | 533                   | -                               | 16,457       |
| Charge for the year             | 8                               | 8                                | -                    | 102              | 706                          | 53                                    | 98                    | -                               | 975          |
| Disposal                        | -                               | -                                | -                    | (1)              | (6)                          | -                                     | -                     | -                               | (7)          |
| Exchange difference             | -                               | -                                | -                    | -                | -                            | -                                     | -                     | -                               | -            |
| Closing balance                 | 216                             | 230                              | -                    | 1,550            | 13,717                       | 1,081                                 | 631                   | -                               | 17,425       |

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

Furniweb Industrial Products Berhad

## 7.1.2 Property, Plant and Equipment – Proforma Group (Cont'd)

|  | Long term<br>leasehold<br>land<br>RM'000 | Short term<br>leasehold<br>land<br>RM'000 | Freehold<br>land<br>RM'000 | Buildings<br>RM'000 | Plant and<br>machineries<br>RM'000 | Furniture<br>and office<br>equipment<br>RM'000 | Motor<br>vehicles<br>RM'000 | Construction<br>in progress<br>RM'000 | Total<br>RM'000 |
|--|--|---|----------------------------|---------------------|------------------------------------|--|-----------------------------|---------------------------------------|-----------------|
| <i>Net book value</i>                        |  |   |                            |                     |                                    |  |                             |                                       |                 |
| At 30 April 2003                             | 860                                      | 936                                       | 1,017                      | 11,048              | 16,296                             | 529  | 2,073                       | 97                                    | 32,856          |
| Proforma adjustment                          |  |   |                            |                     |                                    |  |                             |                                       |                 |
| Purchase of property,<br>plant and equipment | -  | -   | -                          | -                   | 6,500                              | -  | -                           | -                                     | 6,500           |
|  | 860                                      | 936                                       | 1,017                      | 11,048              | 22,796                             | 529  | 2,073                       | 97                                    | 39,356          |

Included in the property, plant and equipment of the Group is a motor vehicle with a net book value of RM207,205 registered in the name of a Director who holds the motor vehicle in trust for the Group.

**Revaluation**

Leasehold land and buildings are stated at Directors' valuations based on professional valuations on the open market value basis conducted in September 1995. In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board upon adoption of International Accounting Standards (IAS) No. 16 (Revised) Property, Plant and Equipment, the valuation of these assets has not been updated, and they continue to be stated at their existing carrying amounts less accumulated depreciation.

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



Furniweb Industrial Products Berhad

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would be as follows:

|                           | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|---------------------------|---|
| Long term leasehold land  | 200                                       |
| Short term leasehold land | 5   |
| Freehold land             | 693                                       |
| Buildings                 | 3,633                                     |
|                           | <hr/>                                     |
|                           | 4,531                                     |
|                           | <hr/> <hr/>                               |

**Security**

Certain land and buildings of the Group amounting to RM13,834,007 is charged to banks as security for bank facilities granted to the Group.

**Assets under hire purchase**

Included in property, plant and equipment of the Group are assets acquired under hire purchase agreement costing approximately RM3,901,000.

**7.1.3 Investment in a jointly controlled entity**

The Group's interest in the assets and liabilities, revenue and expenses of jointly controlled entity are as follows:-

|                              |   |                                     | <b>Proforma Group<br/>2003<br/>RM'000</b>                  |
|------------------------------|---|-------------------------------------|--|
|                              |   |                                     | 369  |
|                              |   |                                     | 981  |
|                              |   |                                     | (286)  |
|                              |   |                                     | <hr/>  |
|                              |   |                                     | 1,064  |
|                              |   |                                     | <hr/> <hr/>  |
| <b>Name</b>                  | <b>Principal activities</b>               | <b>Country of<br/>incorporation</b> | <b>Proportion of<br/>ownership interest<br/>2003<br/>%</b> |
| Trunet (Vietnam) Co.<br>Ltd. | Manufacturing and sale<br>of meat netting | Vietnam                             | 50   |

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



Furniweb Industrial Products Berhad

## 7.1.4 Other investments

|  | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|--|---|
| <i>Long term</i>                           |   |
| Shares quoted in Malaysia - at cost        | 148                                       |
| Less: Allowance for diminution in value    | (130)                                     |
|  | <u>18</u>                                 |
|  | =====                                     |
| <i>Market value of quoted investments:</i> |   |
| <i>Long term</i>                           |   |
| Shares quoted in Malaysia                  | 20  |
|  | <u>20</u>                                 |
|  | =====                                     |

## 7.1.5 Deferred tax asset

|  | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|--|---|
| Recognised deferred tax asset consist of:- |   |
| Unutilised tax losses                      | 61  |
|  | <u>61</u>                                 |
|  | =====                                     |

## 7.1.6 Inventories

|                          | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|--------------------------|---|
| <b>At cost:</b>          |   |
| Raw materials            | 7,095                                     |
| Work in progress         | 2,484                                     |
| Manufactured inventories | 3,188                                     |
| Trading inventories      | 224                                       |
| Other consumables        | 348                                       |
|                          | <u>13,339</u>                             |
|                          | =====                                     |

## 7.1.7 Trade and other receivables

|   | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|---|---|
| Trade receivables                           | 12,632                                    |
| Jointly controlled entity                   | 96  |
| Other receivables, deposits and prepayments | 2,301                                     |
|   | <u>15,029</u>                             |
|   | =====                                     |

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



Furniweb Industrial Products Berhad

## 7.1.8 Cash and cash equivalents

|  | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|--|---|
| Cash and bank balances                     | 3,027                                     |
| Deposits with licensed banks               | 2,352                                     |
| Short term deposits                        | 1,500                                     |
|  | <u>6,879</u>                              |
| Proforma adjustment:                       |   |
| Right issue                                | 6,836                                     |
|  | <u>13,715</u>                             |
| Public issue                               | 8,640                                     |
| Listing expenses                           | (1,800)                                   |
| Purchases of property, plant and equipment | (6,500)                                   |
|  | <u>14,055</u>                             |
|  | =====                                     |

Included in the Group's deposits with licensed bank is an amount of approximately RM222,000 pledged for credit facilities granted to the Group.

## 7.1.9 Trade and other payables

|                                     | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|-------------------------------------|---|
| Trade payables                      | 5,935                                     |
| Other payables and accrued expenses | 4,304                                     |
| Amount owing to Directors           | 4,430                                     |
|                                     | <u>14,669</u>                             |
|                                     | =====                                     |

The amount owing to Directors is unsecured, interest free and has no fixed terms of repayment.

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



Furniweb Industrial Products Berhad

## 7.1.10 Bank borrowings

|                           | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|---------------------------|---|
| <b>Current</b>            |   |
| Term loans                | 814                                       |
| Export credit financing   | -   |
| Trade bills               | 3,809                                     |
| Hire purchase liabilities | 640                                       |
| Bank overdraft            | 719                                       |
|                           | <u>5,982</u>                              |
|                           | =====                                     |
| <b>Non-current</b>        |   |
| Term loans                | 1,096                                     |
| Hire purchase liabilities | 1,417                                     |
|                           | <u>2,513</u>                              |
|                           | =====                                     |

## 7.1.11 Share capital

|  | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|--|---|
| Authorised:                                |   |
| Ordinary shares of RM1.00                  | 100,000                                   |
|  | <u>=====</u>                              |
| Issued and fully paid:                     |   |
| Ordinary shares of RM1.00 each             |   |
| Actual as at 30 April                      | **  |
| Proforma adjustments:                      |   |
| Proposed Corporate Reorganisation Exercise | 29,164                                    |
| Proposed Restructuring Exercise            | 6,836                                     |
|  | <u>36,000</u>                             |
| Split of Shares                            | - *                                       |
| Proposed Initial Public Offering           | 4,000*                                    |
|  | <u>40,000*</u>                            |
|  | =====                                     |

\* Denotes RM0.50 per share

\*\* Denotes RM2

**10. ACCOUNTANTS' REPORT (Cont'd)***Furniweb Industrial Products Berhad***7.1.12 Share premium**

|  | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|--|---|
| Actual as at 30 April                      | -   |
| Proforma adjustments:                      |   |
| Proposed Corporate Reorganisation Exercise | 2,333                                     |
| Proposed Initial Public Offering           | 4,640                                     |
|  | <u>6,973</u>                              |
| Listing and corporate exercise expenses    | (1,800)                                   |
|  | <u>5,173</u>                              |
| Proforma as at 30 April                    | <u>=====</u>                              |

**7.1.13 Minority shareholders' interest**

This consists of minority shareholders' proportion of share capital and reserves of a subsidiary.

**7.1.14 Deferred tax liabilities**

|  | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|--|---|
| Recognised deferred tax asset consist of:- |   |
| Temporary difference arising from:-        |   |
| - property, plant and equipment            | 889                                       |
| - revaluation reserve                      | 1,141                                     |
|  | <u>2,030</u>                              |
|  | <u>=====</u>                              |

**7.1.15 Commitments**

|  | <b>Proforma Group<br/>2003<br/>RM'000</b> |
|--|---|
| Capital commitments:   |   |
| Property, plant and equipment<br>Contracted but not provided for | 307                                       |
|  | <u>=====</u>                              |



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



Furniweb Industrial Products Berhad

## 8. Proforma Group Cash Flow Statement

The cash flow statements of the Proforma Group set out below is based on the audited financial statements of FIPB, FMSB Group, Webtex , Texstrip and FEC for the 4 months period ended 30 April 2003 and is presented on the assumption that the FIPB Group has been in existence throughout the year under review.

|   | <b>2003</b>                                 |
|---|---|
|   | <b>RM'000</b>                               |
| <b>Cash flows from operating activities</b>             |   |
| Profit before taxation                                  | 4,250                                       |
| Adjustments for:  |   |
| Depreciation  | 975   |
| Gain on disposal of property, plant and equipment       | (126)                                       |
| Interest expense  | 238   |
| Interest income   | (33)  |
| Property, plant and equipment written off               | 1   |
| Share of gain in jointly controlled entity              | (212)                                       |
|   | <hr/>                                       |
| Operating profit before working capital changes         | 5,093                                       |
| Changes in working capital:                             |   |
| Inventories   | (1,052)                                     |
| Trade and other receivables                             | (174)                                       |
| Trade and other payables                                | 51  |
|   | <hr/>                                       |
| Cash generated from operations                          | 3,918                                       |
| Income taxes paid                                       | (496)                                       |
| Interest paid   | (238)                                       |
| Interest received                                       | 7   |
|   | <hr/>                                       |
| <b>Net cash generated from operating activities</b>     | <b>3,191</b>                                |
|   | <hr style="border-top: 1px dashed black;"/> |
| <b>Cash flows from investing activities</b>             |   |
| Cash repaid by others                                   | 31  |
| Deposits pledged as security                            | (1)   |
| Interest received                                       | 26  |
| Proceeds from disposal of property, plant and equipment | 307   |
| Purchase of property, plant and equipment               | (9,623)                                     |
|   | <hr/>                                       |
| Net cash used in investing activities                   | (9,260)                                     |
|   | <hr style="border-top: 1px dashed black;"/> |

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

Furniweb Industrial Products Berhad

|   | <b>2003</b>   |
|---|---------------|
|   | <b>RM'000</b> |
| <b>Cash flows from financing activities</b>             |               |
| Listing expenses  | (1,800)       |
| Payment of hire purchase liabilities                    | (329)         |
| Proceeds from loans and other borrowings                | 267           |
| Repayment of loans and other borrowings                 | (888)         |
| Proceeds from issues of shares                          | 15,476        |
|   | <hr/>         |
| <b>Net cash generated in financing activities</b>       | <b>12,726</b> |
|   | <hr/>         |
| <b>Net increase in cash and cash equivalents</b>        | <b>6,657</b>  |
| <b>Cash and cash equivalents at beginning of year</b>   | <b>6,430</b>  |
| <b>Foreign exchange differences on opening balances</b> | <b>25</b>     |
|   | <hr/>         |
| <b>Cash and cash equivalents at end of year</b>         | <b>13,112</b> |
|   | <hr/> <hr/>   |

*Cash and Cash Equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following:

|   | <b>RM'000</b> |
|---|---------------|
| Cash and bank balances                                    | 19,201        |
| Short term deposits                                       | 1,500         |
| Deposits with licensed banks (including deposits pledged) | 2,352         |
| Bank overdrafts   | (719)         |
|   | <hr/>         |
|   | 13,334        |
| Less: Deposits pledged                                    | (222)         |
|   | <hr/>         |
|   | <b>13,112</b> |
|   | <hr/> <hr/>   |

**9. Subsequent event**

There were no subsequent event that requires adjustment or disclosure in this report, from the date of the latest audited financial statements to the date of this report.

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

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*Furniweb Industrial Products Berhad*

**10. Audited Financial Statements**

No audited financial statements have been made up for FIPB, FMSB, FVOA, FVN, SSKSB, Trunet, Webtex, Texstrip, FEC, PGSB and PEWA in respect of any period subsequent to 30 April 2003.

Yours faithfully

A handwritten signature in black ink, appearing to read 'KPMG'.

**KPMG**

Firm Number : AF0758

Chartered Accountants